




3 1761 11970462 5

Government
Publications



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

4657

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND REPORTS

No. 1

MARCH 23, 1942

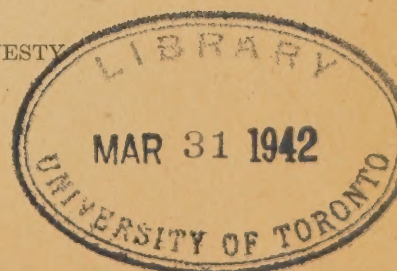
Reference—Bill No. 13

An Act to amend The Canadian Wheat Board Act, 1935

WITNESS:

Mr. John H. Wesson, President of the Saskatchewan Wheat Pool

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

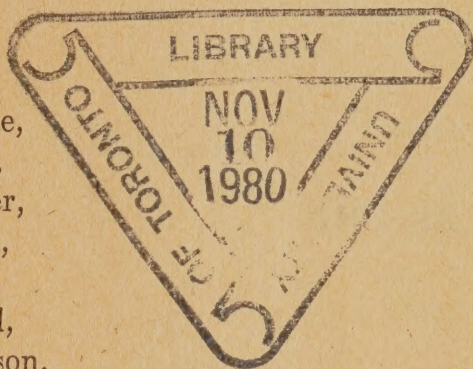


MEMBERS OF THE COMMITTEE

Mr. W. G. Weir, *Chairman*

Messieurs:

Authier,
Aylesworth,
Bertrand (*Prescott*),
Black (*Chateauguay-Huntingdon*),
Blair,
Cardiff,
Clark,
Cloutier,
Cruikshank,
Davidson,
Dechene,
Desmond,
Diefenbaker,
Donnelly,
Douglas (*Weyburn*),
Douglas (*Queens*),
Evans,
Fair,
Ferron,
Fontaine,
Furniss,
Gardiner,
Golding,
Hallé,
Hatfield,
Henderson,
Lafontaine,
Lalonde,
Lapointe (*Lotbinière*),
Leader,



Leclerc,
Leger,
Lizotte,
MacDiarmid,
MacKenzie (*Lambton-Kent*),
McCuaig,
McCubbin,
McGarry,
McNevin (*Victoria, Ont.*),
Matthews,
Mullins,
Nielsen (*Mrs.*),
Perley,
Poirier,
Quelch,
Rennie,
Rhéaume,
Rickard,
Ross (*Souris*),
Ross (*Middlesex East*),
Ross (*Moose Jaw*),
Rowe,
Senn,
Soper,
Sylvestre,
Turgeon,
Tustin,
Ward,
Weir,
Wright—60.

(Quorum 20)

WALTER HILL,
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, February 19, 1942.

Resolved,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

(See list on opposite page.)

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, March 17, 1942.

Ordered,—That the following Bill be referred to the said Committee: Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, March 20, 1942.

Ordered,—That authority be granted the said Committee to print, from day to day, 500 copies in English and 200 copies in French of proceedings and evidence to be taken respecting Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE
(Having reference only to Bill No. 13)

SECOND REPORT

FRIDAY, March 20, 1942.

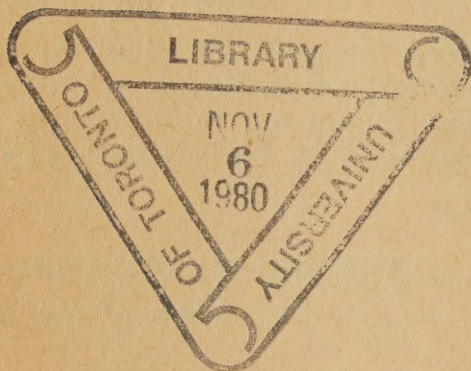
The Standing Committee on Agriculture and Colonization begs leave to present the following as its

SECOND REPORT

Your Committee recommends that authority be granted to print, from day to day, 500 copies in English and 200 copies in French of proceedings of evidence to be taken respecting Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.



MINUTES OF PROCEEDINGS

MONDAY, March 23, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Cardiff, Clark, Davidson, Dechene, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Gardiner, Golding, Halle, Hatfield, Henderson, Lafontaine, Leader, Leger, Mackenzie (*Lambton-Kent*), McCubbin, McNevin (*Victoria, Ont.*), Matthews, Perley, Quelch, Rennie, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Soper, Sylvestre, Turgeon, Tustin, Ward, Weir, Wright.—37.

In attendance: Hon. Mr. MacKinnon, Minister of Trade and Commerce; Mr. George McIvor, Chairman, Canadian Wheat Board; Mr. Clive Davidson, Statistician, Canadian Wheat Board; and Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

The Chairman named the following members as a subcommittee to arrange for witnesses to appear before the Committee, and to decide upon the method of procedure to be adopted in regard to Bill No. 13: Messrs. Donnelly, Dechene, Douglas (*Weyburn*), Golding, Fair, Perley.

The Committee proceeded to the consideration of Bill No. 13, and Hon. Mr. MacKinnon, Minister of Trade and Commerce, explained the purpose of it.

Mr. John H. Wesson, President of the Saskatchewan Wheat Pool, was called and allowed to make a submission on the subject matter of the Bill. He was then questioned by various members of the Committee. Witness retired.

The Chairman informed the Committee that Hon. Mr. Gardiner had some further information on Bill No. 12, which had been under consideration at a previous sitting, and on motion of Mr. Donnelly, it was

Resolved, That the proposed amendments to Bill No. 12, An Act respecting Wheat Acreage Reduction be reconsidered.

After discussion, the Committee agreed to restore to the Bill the original Clause 3, and to report said Bill with amendments.

The Committee adjourned to meet again to-morrow, Tuesday, March 24, at 11.00 o'clock, a.m.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

March 23, 1942.

The Standing Committee on Agriculture and Colonization met at 11.20 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: I think we should have a statement from the minister on the general line of what he thinks should be done to-day.

Hon. Mr. MACKINNON: Mr. Chairman and gentlemen, in view of what Mr. Perley has just said I am a little in doubt as to whether I should proceed with what I was going to suggest this morning. We are all anxious that this bill be disposed of, I am sure, at the very earliest date possible. We are also—those of us who are familiar with the reasons for the introduction of the bill— anxious that the bill be passed and an initial price payable for wheat this coming season be decided on as early as possible to enable farmers of Western Canada to make their plans for seeding. I think we are all agreed that the farmers' plans will depend somewhat on the price, the initial payment that will be made for wheat.

Following what I thought were charges or near charges made by Mr. Hanson in the house I stated that when this bill was referred to the agricultural committee it was my thought that considerable latitude would be given the committee in questioning witnesses who wished to appear before the committee to give evidence. The Canadian Wheat Board is operating in a very large way; it is one of the biggest businesses in Canada, and it is essential that the people of Canada have absolute confidence in the personnel of the Wheat Board and in the Wheat Board and in the operations of the Wheat Board.

It has been suggested to me that possibly the terms of reference might be enlarged—I am not in a position to say yes or no on that at the moment but it has been suggested that the terms of reference might be enlarged—and that arrangement be made whereby this committee could investigate or deal with the statements made by Mr. Hanson and others at a later date; but in the meantime to hear Mr. Wesson and Mr. McIvor and anybody else who wishes to make a statement, and then pass the bill. It is suggested if that is agreeable to the committee we might have a consideration of Mr. Hanson's statement later and considerable latitude be given to this committee. There is much to be said in favour of disposing of the bill at as early a date as possible.

In connection with the grain trade in Western Canada, as you know and as I mentioned the other day, there has been a number of investigations. The people of Canada have spent half a million dollars—just a few dollars less than \$500,000—on these investigations over recent years. The ground has been pretty well covered. I do not think there is a thing that has been suggested that the Wheat Board cannot deal with, cannot give you full and ample information on that will absolutely satisfy every member of this committee. I have not the slightest doubt of that. I have learned that from my connection with the Wheat Board and I do not think that seriously any informed person would think for a minute that there is anything upon which charges of wrong doing could be successfully laid. At the same time, if there is a doubt in the mind of anybody I think they should have every possible opportunity to ask questions, investigate and deal with the matter before a body such as this.

I do not think, Mr. Chairman, there is anything more I wish to say at the present time. I should like to see the passing of the bill expedited in every possible way.

The CHAIRMAN: Is there anyone else who wishes to make any observation?

Mr. DOUGLAS (Weyburn): Mr. Chairman, nothing except this: I personally am getting a little weary of constantly being put in my place by ministers in the government. If the government wants to hurry this bill there is a very simple procedure to be taken, that is, to bring down two terms of reference: one, referring Bill 13 to this committee; and two, referring the transactions of the Wheat Board to this committee. As long as we have only one term of reference before this committee once we dispose of this bill the whole question is gone. All the minister needs to do or all the committee would like, if they wish to expedite the bill, is to widen the terms of reference, making the bill the primary term of reference and the operation of the Wheat Board the secondary term of reference. As long as the terms of reference are as they are this bill cannot possibly be passed by this committee until we have heard all the witnesses.

Hon. Mr. MACKINNON: There would be two ways of doing it. We agree that Mr. Douglas' suggestion would be one way of doing it, but it will be possible also to do it on the discussion of the estimate.

Mr. DOUGLAS (Weyburn): No estimates are referred to this committee that I know of.

Hon. Mr. MACKINNON: A committee of the whole.

Mr. DIEFENBAKER: I understand the minister to indicate in the House that this whole matter would come before the committee. The explanation given, it seems to me, does not necessitate the speeding of this bill.

Hon. Mr. MACKINNON: I am not over-stressing that.

Mr. DIEFENBAKER: Because the question of price, whenever it is determined, will only affect the crop that is raised this year. As far as I am concerned I want to find out the answer to the questions that were asked in the House. I do not think there is anybody here who wants to block the bill. Whether the reference is wide enough, technically speaking, is another question; but it is for the committee to decide whether it is going to hear this evidence, hear cross-examination and to pass on it. If it does not do that, this committee, which was called together for the purpose of discussing a bill which consists of one alteration from seventy cents to ninety cents, will be totally ineffective.

The minister said there have been many investigations costing approximately half a million dollars. There has not been one in recent years. This investigation does not need to be a costly one. A matter of a dozen witnesses here would clear up the whole situation. The expense of calling a dozen witnesses in order to clear up a situation regarding which the questions were asked by Mr. Hanson, should not prove any insurmountable obstacle. As far as I am concerned I cannot see the question of expense at all. To bring twelve witnesses from Winnipeg, what would it cost? Nothing compared to one day's operation when these statements cannot be explained.

The CHAIRMAN: Well, gentlemen, I think the situation largely comes down to this. We have these gentlemen here this morning prepared to make representation. Probably a good many of the questions that are in the minds of the members may be answered by the representations made. When that stage is reached the committee will then decide if they wish to urge that the reference be further extended. That is still the privilege of the committee. With that understanding then may we proceed?

Mr. JOHN H. WESSON called:

The CHAIRMAN: Mr. Wesson may I say is president of the Saskatchewan Wheat Pool and also a member of the continuing committee of the delegation of

four hundred who appeared before the government during the month of February and made certain representations. Mr. Wesson, I think, is appearing in that capacity to-day.

The WITNESS: Mr. Chairman, Hon. Mr. MacKinnon, Hon. Mr. Crerar, whom I see sitting in the audience, and gentlemen: I want to thank you for this opportunity for appearing before this committee and making a statement in connection with the amendment to the wheat board act, known as Bill 13.

Mr. DONNELLY: Mr. Wesson's statement is to be taken down and printed, is it not?

The CHAIRMAN: Yes.

The WITNESS: I am not reading, I am speaking from notes. As has been stated by the chairman, I am appearing before this committee to-day as president of the Saskatchewan Wheat Pool, with a very large membership of around 100,000 in Saskatchewan. I also happen to be the leader of that delegation which came to Ottawa on February 2nd, a delegation representing 185,000 people in Saskatchewan, and I think around 6,000 in Manitoba, who had signed a petition dealing with what is now called "The Western Bill of Rights." So you can see, Mr. Chairman, that to-day I am representing a lot of people. I am representing others indirectly, not only boards of trade and the city councils, but the Saskatchewan legislature and I think the Manitoba legislature—I do not know about Alberta legislature, but I can assure you, Mr. Chairman, and gentlemen that the presentation made from the West is just about as nearly unanimous as any question has been since confederation.

Some nice things have been said about the delegation in the debate on the second reading of Bill 13 in the House. As the leader of the delegation I should like to thank these members who took part in that debate for the nice things they said. As a matter of fact I think that that delegation has received commendation and praise from almost every quarter in the Dominion of Canada, every bit of which they deserved. I do not understand just why it should be so, unless it is that people in Ottawa expected a bunch of wild men to come down to raise Cain generally. We knew they would not. We knew that this bunch of men and some women, came down here with an honesty of purpose to present a case for Saskatchewan and the West based on a depressed wheat economy.

For the purpose of this record I should like to thank on behalf of that delegation the Prime Minister and the members of the government for the way in which they welcomed the delegation and received the presentations made.

Now, coming down to the questions that we are going to discuss, let me say that in appearing before you to-day I want to try to lay out reasons why this committee may see fit to recommend a change in this amendment to the Wheat Board Act to parliament and to the government and to make that change to read in the amended Wheat Board Act "The statutory price shall be \$1 a bushel" and not 90 cents.

I am appearing before you at the eleventh hour. I understand that. Before dealing with the wheat question, however, let me say this: I am convinced that the policies brought into the House of Commons by the Minister of Agriculture, dealing with the production, marketing and the price for flax and oats and barley will be accepted in the west I think without question by all classes of people as sound policies for 1942. May I say in passing—I am sorry the Minister of Agriculture is not here—that we in Saskatchewan believe that if it is the intent of the government to increase flax production for the sake of getting more edible oil, in spite of the fact the committee has agreed to recommend the \$2 per acre bonus shall be paid to those farmers growing flax on the acreage taken out of wheat, I believe it will be sound for the government to reconsider this question of flax and make that price \$2.50 a bushel. I am not, at this stage, making a

plea for further income for the flax growers. I am saying that because I know something of Saskatchewan conditions where most of this flax is produced. The National Barley Committee meeting in Winnipeg the week before last also dealt with the flax question and recommended that this price should be \$2.50 a bushel. I agree with that recommendation because of the uncertainty of the production of flax; there are too many hazards in connection with growing it. The long term average is 6 bushels to the acre. I believe that \$2.50 per bushel would be an incentive to grow flax; a better incentive than \$2.25. I believe also that looking at the price levels of flax in the United States and realizing that most of this flax will have to be crushed in the United States on account of the fact that we have not sufficient crushing machinery here in Canada—if we produced an additional 20,000,000 bushels of flax this year I believe that the treasury would lose no money if the price of flax were raised to \$2.50. I am merely making that as a suggestion from the pool organization, knowing just what the flax situation is in Saskatchewan.

Dealing with the other features, the minimum price for oats at 45 cents a bushel, basis Fort William; and 60 cents a bushel for barley, I believe it proper that the government should hold out some incentive for more production of these feed grains. But, Mr. Chairman, I submit that it will automatically relieve this wheat problem that seems to be of such great concern to the members of the House of Commons to-day.

Let me explain to you what I mean. If parliament sees fit to amend the Wheat Board Act to make the initial payment \$1.00 a bushel, speaking for myself and thousands of people that I am acquainted with living in these areas not including in it Mr. Graham's famous Palliser triangle, I would say that there is a greater incentive to produce oats at 45 cents a bushel basis Fort William at a minimum guarantee than there is to produce wheat on the basis of \$1.00 a bushel initial payment, not only because of the net return, but also because of the fact that in producing oats with a guarantee of 45 cents a bushel and barley with a guaranteed minimum of 60 cents per bushel, there is no restriction on deliveries. We can produce all we want to, and we can sell all we want of what we produce; whereas, with wheat, it may be dependent on nature; that might operate as a restriction on the delivery of wheat after you produce it.

If you would not mind, I would like to make a personal illustration as to what I mean: my farm today, west of North Battleford, is rented and farmed by my brothers. In 1940 they had a wheat acreage of 520 acres. Last year they co-operated and reduced their wheat acreage to 355 acres. I can assure you, Mr. Chairman, with this incentive to produce coarse grains at these minimum prices with no restricted deliveries my brothers will probably sow upwards of 400 acres of oats this year and probably 200 acres of wheat; and there will be thousands like them.

Now, what does this do to the wheat question? If what I am predicting proves to be true—and I will admit that no one is sure in predicting anything in western Canada in respect to grain—I know that by experience—but if there are perhaps, let us say for the sake of argument, a million acres additional sown to flax, and three million acres more sown to oats and barley, well, it means on the basis of statistical figures that there will not be planted in the west this year more than 17,000,000 acres of wheat. I think it was the Minister of Mines and Resources in the debate the other day in the house who made the statement that in his opinion it was hardly possible for the west to produce 280,000,000 bushels of wheat this year with the present moisture conditions, and I agree with him. Let us assume, for the sake of not using extreme figures, an average yield over the west of 16 bushels to the acre on 17,000,000 acres. That would give you a total production of 270,000,000 bushels, approximately; that is 10,000,000 bushels less than could be delivered by farmers under the government's policy this year which is 280,000,000 bushels. Now, let me quote statistics to you to show you

what this means. In the Bureau of Statistics figures of 1941 they anticipated a domestic disappearance of 140,000,000 bushels: 50,000,000 for flour, and 90,000,000 bushels disappear for seed and feed purposes. If that proves to be correct in 1942 it means that if we only produce 270,000,000 bushels and 280,000,000 bushels can be disposed of for export and domestic use in the shape of flour we will lack exactly 100,000,000 bushels in our grain production in 1942, which must necessarily be taken out of this bogey, this reserve that people, especially in eastern Canada, are concerned about. I am not concerned about the surplus problem, and I never have been. As a matter of fact, I would like to make reference to the statement made in the house by the Minister of Agriculture, I think a year ago last fall, when he took a lot of figures out of the air, apparently; that is how it seemed to most people—and when he got through at the end of five years with certain conditions and certain things happening he tried to prove that at the end of five years we would be 200,000,000 bushels short of wheat. I remember that; and I do not think many people believed it. I did, because I have lived in western Canada long enough to know that you do not continue to produce a half a billion bushel wheat crop year after year as we did in 1939 and 1940; and the present year is proof of that—even with good moisture conditions last spring. Let us see what is happening to this surplus. It is less than a year ago. I think it was last April when the Hon. the Minister of Trade and Commerce made the statement—in April—that the carry-over as of last July might reach 575,000,000 bushels—is that right, Mr. Minister?

Hon. Mr. MacKINNON: I think so.

The WITNESS: Well, I think that was a fair assumption. However that may be, at the end of July the carry-over was approximately 480,000,000 bushels—or, that was what it was expected to be. We find also that instead of an estimated export of 170,000,000 last year the export amounted to approximately 230,000,000 bushels; and more disappeared, so that the carry-over proved to be not 575,000,000 bushels, but it proved to be 480,000,000 bushels. No one can tell what the final figure will be as of next July. We do know that up to date our exports—at least the last figure I saw—was a figure of at least between 20,000,000 and 30,000,000 bushels in excess of exports at the same time last year. If that is carried on through next year I submit that this bogey, this carry-over, will be reduced to less than 400,000,000 bushels and it may be down to 375,000,000 bushels. In line with the figures that I outlined to you a moment or so ago in connection with this year's production on a basis of 17,000,000 acres of wheat—which, of course, may be wrong—it is possible that a year next July (July, 1943), the carry-over in this country may be down to 300,000,000 bushels or perhaps 275,000,000 bushels. In other words, all this talk that we hear about building up necessary wheat reserves so that we can feed devastated Europe after the war, if the war lasts two or three more years, it will not be there because this wheat surplus is disappearing and disappearing very fast.

I am saying, therefore, that this wheat problem is not the problem that it appeared to be to some people last year and the year before. I would like to say just at this stage in connection with the restricted delivery of 280,000,000 bushels for the present year and the 230,000,000 restricted delivery for 1942—let me correct that, 280,000,000 for 1942—for 1941 it was 230,000,000 bushels. I want to say that in my opinion never in the history of agriculture in this country or anywhere else was such a sacrifice made—when the wheat-growers of the west realizing that surplus condition, said to the dominion government and adopted it as a policy through their different farm organizations, we agree only to deliver this year or to sell this year a maximum of 230,000,000 bushels; or, a figure that they thought would fit supply to demand. I say that was a sacrifice not known in the history of agriculture anywhere in the world. We did not know, of course, that we would not produce a half a billion bushels.

Nature stepped into the picture and it turned out that we did not produce probably within 25,000,000 bushels of the amount that we could have delivered under the agreed figure of 230,000,000 bushels.

To those people who were afraid of building up unwarranted surpluses I would like to say this: those of you who are afraid of increasing surpluses and making the wheat problem more acute, just as long as western farm organizations backed up by their membership keep offering to the government the amount that will fix supply to demand and the government accepts that recommendation, that is the safest and best way to save piling up an unwarranted or unwanted surplus. You see, nature with all its vagaries in western Canada usually takes a hand in these things from year to year; sometimes big crops and sometimes failures.

Let me say this in passing, that if my outline of the statistical wheat position in carrying on from year to year is accepted, and I think I am approximately correct, I believe the existing surplus which on the one hand is stated by the Prime Minister and statesmen in Great Britain and the United States to be a national war asset that will be a blessing to mankind—We in the west do not believe, that because that surplus is there, that it should be hung around the necks of our wheat producers like a millstone in connection with the current price of grain.

Let us analyse the situation between the east and the west. Let it be understood that I am not criticizing the price of wheat in Ontario. I do not think the price is too great. But does it not seem strange that just because a condition arose in a certain base period last fall, the base period that was to fix the price ceilings on all commodities, that Ontario wheat should have a ceiling of \$1.26? I think that wheat is trading around that figure to-day very largely. Does it not seem strange that we in the west with a surplus of the best wheat in the world which is supposed to be a blessing to mankind and a national asset should turn around and say to the government, and the government accepts, we will only supply the wheat board, or the wheat board will only allow to be delivered to them, or allow to be sold, an estimated amount that will fix supply to demand?

Where is the difference in finality between the east, who are fitting supply to demand with production, and with the west, with its beneficial surplus fitting supply to demand with the current production for this year? We cannot see any difference. I should like to point this out too, in connection with what the government of this country can and cannot do. So many things have been said in the debate—and I presume, Mr. Chairman, I may make reference to the debate in the house, although I do not understand your rules very well—by a large number of speakers that they would like to meet all these requests made by the delegation and by the Federation of Agriculture, but they recognize that the government can go only so far. Well, I do admit that when you are dealing with subsidies or bonuses—when you pay so much money per acre on coarse grain production or even for summer fallow; when the government lays down a policy of advances of so many cents per pound on bacon or cheese; when the government pays the freight on coarse grain for the benefit of our eastern friends (which we do not criticize; we think it is all right)—all that money becomes a drain on the dominion treasury and can be replaced from no other source than by taxation. But with the initial payment on the price of wheat it is a different picture. The government or the treasury of Canada is not finding a definite sum of money. They merely, in dealing with the initial payment, agree to underwrite any loss that may accrue between the final selling price of this wheat and the amount advanced on the basis of the initial payment. That was so with 70 cents. It would be so with 90 cents, and it would be so with a dollar a bushel initial payment. The statute, the Wheat Acreage Reduction Act, provides a set bonus paid from the treasury which cannot be replaced except from taxation. The loss which may or may not accrue under

any initial payment which is set in the Canadian Wheat Board Act is in complete control of government policy itself. I think it is obvious that in connection with domestic sales there need be no loss.

Dealing with this price ceiling question, which I shall refer to in a few moments, if the government in its wisdom says that the price of wheat is the basic price at which flour can be produced and bread sold at present price levels, then it is obvious that whether the initial payment is 90 cents or whether it is a dollar, there must be a loss. But it is controllable, and in our opinion it is absolutely unnecessary for there to be a loss on any advance on the 50 million bushels of wheat sold in this country.

Dealing with the export question, as I understand it, since a year ago last May—it will be almost two years—direct sales have been made by the Canadian Wheat Board—and you will find it in the two reports here, of 1939 and 1940, showing the amount of sales—by negotiation between our own wheat board and the Cereal Import Board of Great Britain. The last sale, not registered but announced by the Minister of Trade and Commerce, was 120 million, making a total in all of approximately 390 million on a negotiated price basis. I am not aware, of course, what that price was. I do know, however, that over a year ago, when the Wheat Board Act was amended to provide for a 15-cent processing tax, the Minister of Trade and Commerce, as reported in *Hansard*, said that it was only fair that the Canadian consumers should pay a price for their bread and flour equal to that now being paid by Great Britain. I am merely taking the 70 cents a bushel plus 15 and arriving at 85 cents. When I said a few moment ago that any loss on the basis of a one dollar initial payment is absolutely in control of the dominion government and its policy, coupled with the sales policy of the wheat board, I think that if it was possible for the dominion government to make an agreement on a negotiated sale basis at around that figure—it is two years almost since the first sale was made of 50 million bushels in the month of May—under these circumstances it should not be difficult for the government to agree with the Cereal Import Board to take all their requirements at a price of at least a dollar a bushel, so there could be no loss. Taking into consideration the bill that is now, as I understand it, being discussed in parliament, the question of a million dollar gift with which I heartily agree—

Mr. DONNELLY: A billion dollars.

The WITNESS: Did I not say a billion?

Mr. DONNELLY: You said a million.

The WITNESS: I meant a billion. I am heartily in accord with that. But taking that into consideration, the question of whether the price of wheat is 90 cents or a dollar does not amount to very much, does it? I want to say that this whole question of initial price and loss on that basis is definitely controllable by government domestic policy and government export policy, those policies being carried out by the Canadian Wheat Board.

Let me come now to deal for a moment with what is involved in the price ceiling and what is involved in the domestic price for wheat, flour and bread. I want to repeat what I have already said, that there need be no loss on the basis of a dollar payment on any wheat sold for consumption in Canada. I will go further and say that while this bill does not involve the question of parity prices, for the sake of this argument I will call the parity price \$1.25; and I believe there should not be a single bushel of wheat sold for domestic consumption in this country for less than that parity price, whatever it may be, because to the extent that it is sold for any less, the wheat producers are subsidizing the bread consumers in this country. If, under the new price ceiling policy—which is not very clear—bread and flour shall not change, it is quite obvious that the consumers of this country are going to be subsidized from the treasury of Canada. It is not necessary. Let us just analyse this and see what it means.

I was looking up statistics just the other day and I found out that the bureau said that in the month of January the cost of living in this country had increased by 1·1 per cent. There has been no criticism, no explanation, and no defence as to why. There has been an increase in the cost of living of 1·1 per cent and nobody even mentions it. It is true, of course, that part of this cost of living rise may have been caused by the increased price of vegetables and some things that have no ceiling; but very definitely those commodities cannot account for the increase of one per cent in one month. Let us see what this initial payment of \$1 a bushel would mean. If we can take it—and I am merely using this for the sake of argument—that 75 cents a bushel is the base price at which millers can make a purchase to maintain the present price of flour or the present price of a loaf of bread, recognizing that wheat represents only 13·2 per cent of the finished commodity, a dollar initial payment will increase the price of a loaf of bread just one half-cent; that is, for a twenty-ounce loaf. Keep in mind, Mr. Chairman, that I am not using my own figures. I am using those of the Bureau of Statistics. Four and a half bushels of wheat—that is, 270 pounds of wheat—will make 270 loaves of bread. One pound of wheat will make one pound of bread. Working back, it means that in Regina today with wrapped loaf selling at 9 cents, the wheat growers of western Canada receive exactly 1-1/7 cents out of a total of 9. Suppose we take, for the sake of argument, \$1.25 for all domestic consumption, which figure I will use for parity, not knowing what parity is. It may be \$1.25 for all I know. The increased cost of a loaf of bread of 1 cent, with a parity price of \$1.25 per bushel would mean an increase in the cost of living, according to the size of a man's family, of 7, 10, 12 cents a week. It does not need an economist or a statistician to tell you that while we read of an increase in the cost of living of better than 1 per cent for the month of January, an increase of 1 cent a loaf would be infinitesimal in the cost of living. Let me say this one thing in passing, dealing with the Canadian consumer. No one can convince the western wheatgrower that, with a national income in 1941 of 6 billion dollars—and I am merely quoting the Prime Minister when I make that statement—the consumers of this country cannot afford to pay a proper price for the flour and bread made from the wheat that is grown in Canada.

Let me deal with a further question in connection with this wheat price. We know that according to orders in council that have been tabled, the policies that have been adopted by the government—and very necessary policies—have been for the wheat board to deal with the control of this present year's crop and contracts which represent wheat, so that at the end of July the wheat board may be able to clean up all these stocks and contracts without allowing anyone to make a speculative profit. From then on the position is not too clear. No one knows—it has not been announced—whether the grain exchange is going to continue to function or whether the price under which it will trade will be 90 cents, or as it is to-day, with a minimum of 70. That has not yet been announced. But I do want to say this, that if the price proves to be 90 cents—if your final recommendation to parliament and the government is that figure—and the government says to the wheat board that there shall be no trading under that statutory price, personally I cannot see how that price of wheat can advance. I will tell you what I mean. It is obvious that, if there is to be protection under the present announced price ceiling policy for flour and bread, there will be no domestic millers' demand on the Winnipeg market. Why should a miller go on to the market and pay 92 or 94 cents a bushel for his wheat when he knows that he is going to be protected by the wheat board at whatever sale price is decided on? So his demand is out of the picture so far as the Winnipeg market is concerned.

If the present policy is continued under which the government and the wheat board continue to negotiate with the Cereal Import Board the price levels for large blocks of futures or cash wheat then it stands to reason that demand has

gone from that source. You do not need to tell our western people that these negotiated sales have not affected the market. The daily statement of the Winnipeg Free Press and the Regina Leader—and I read both of them—will state in connection with very large daily exports that they do not affect the market. Mr. McIvor can give that information later. All I say is that as long as this policy of negotiated sales continues, neither the demand through the cereal import board or the domestic demand by the millers will tend to raise the price from a minimum of 90 cents on the Winnipeg market. There is only one thing that can ever raise that price and that is for outside speculation to come in in sufficient volume to raise it. We have lived in this country long enough to know that speculators of that kind only come into a speculative market when they think through holding that the price is going to raise and they can make a profit, and they do not come in when there is a large block of unsold wheat in the country.

Let me say in passing that I think it was the Minister of Agriculture who said he would like to see parity prices and he thought that they would come. If my outline of the position, which may or may not be correct because the announcement has not been made—I doubt if it is possible to achieve parity prices on the basis of an open market as long as we have surplus wheat in this country that can not be sold in the current year. Let me point this out, Mr. Chairman, I am not standing here attacking the Winnipeg Grain Exchange. The stand of the wheat pools has been well known for years. We approached the government right after the outbreak of war and gave them our advice which they did not accept. The point in our advice was that in view of all the markets being closed overseas we thought it would be wise to close the exchange and carry on the same kind of trading as we did in this country in 1917 and 1918 with the Wheat Commission and in 1919 with the wheat board. Since the Minister of Trade and Commerce read a much discussed cable in the House of Commons about eighteen months ago from the Cereal Import Board in Great Britain asking that the market be kept open, the wheat pools have not discussed that question because we believed it would be futile. What we have done for the last two years has been to try to decide on a policy that will bring an equitable revenue to the wheat grower of Western Canada in spite of the operation of the Winnipeg Grain Exchange rather than whether it would function or whether it would not. What I have said in connection with 90 cent minimum on the Grain Exchange shows the utter impossibility of reaching parity prices under those conditions and under this kind of agreement. I think it can be safely said here that after listening to the debate in the House of Commons and especially to those remarks made by the Honourable Minister of Trade and Commerce and the Minister of Agriculture, every single argument they used in defense of the amendments to the Wheat Board Act, or Bill 13, can be used just as strongly, I think they would agree, if the initial payment was \$1 a bushel.

Let us see what this means in income to western Canada; let us see what it means to the west. If we are successful in producing 280 million bushels of wheat for delivery, which I doubt very much, and taking the 90 cents basis Fort William or 70 cents net to the grower, it will mean a wheat income of 196 million dollars. That income is 43 million dollars less than we received in the marketing of our 1940 crop when all the wheat was sold at 50 cents a bushel. If the initial payment is made at \$1 a bushel, which means 80 cents net to the grower, the return for wheat would be \$224 million dollars and still \$15 million dollars less than the wheat income in 1940 when we delivered all our crop at 50 cents a bushel, because in 1940 the total income from wheat according to the bureau of statistics was 239 million dollars, and this, Mr. Chairman, is in comparison with figures used by the Minister of Agriculture in the House one day last week when he referred to the fact that the wheat growers in western Canada in the years 1926-29 period exceeded 400 million dollars per year. Keeping in mind the

1926-29 period as the basis very largely on which labour is protected in this country plus the cost of living bonus of 15 per cent, I say to you that last year the western growers made a sacrifice in the offer of 230 million bushels to fit supply and demand, a sacrifice not equalled anywhere in the world. That with the increased price that we asked for, backed up by the Saskatchewan legislature, of 85 cents a bushel, plus a processing tax of 50 cents a bushel, which would have meant a return of 95 cents per bushel on a total income of 174 million dollars. We offered that sacrifice last year \$174 millions as against \$239 millions the year before. Finally, Mr. Chairman, with regard to the present crop year—because we did not produce this full amount of 223 million in the west—our share of the 230 million—there will not be delivered in excess of 200 million out of this crop, and that on a 50 cent basis the income will be approximately 100 million dollars. Add to that all the bonuses provided apart from the Prairie Farm Assistance Act, you have a wheat income, if you want to call that a wheat income, of 150 million dollars. That is all, 150 million dollars for the present year.

Let me say before I close, Mr. Chairman, that if this committee would see fit to recommend to parliament—I do not know what the rules of procedure are, and I do not know what you can do in changing your recommendation on a matter which involves money—I do know, however, that it can be done if you want to do it—if parliament and the government would accept this proposal brought down by the western delegation, backed by the pools and the Canadian Federation of Agriculture and the legislatures of western Canada—that along with these policies brought in by the Minister of Agriculture with regard to coarse grain production and minimum prices and a \$1 a bushel initial payment for this year's crop which I maintain need not cost the treasurer of this country one cent—I think that that policy would be fairly satisfactory to western Canada for 1942.

Let me say this just in passing. I read in a newspaper one day last week while your debate was going on in the House of Commons on this bill that a member of parliament—I do not know, of course, all the members, and I know very few of the eastern members—was supposed to have said that he was not prepared to accept these policies brought in by western Canada—there is nothing personal in this because I do not know the gentleman and I did not hear his speech, I read it in the press. I want to say this in all kindness that when we in the west say that the wheat problem is a national problem and not a western problem we do not say that with our tongues in our cheeks. If the wheat economy in western Canada is worth saving it should be saved; if it is not going to be saved then 300,000 farmers and wheat growers in the west with their dependants will not sit idle twiddling their thumbs, they will proceed to produce more and more of those perishable and semi-perishable agricultural commodities which are at the present time the cash crop of Ontario and the eastern provinces, and sooner or later—and I am sure that it will be sooner—we will produce such a glut of those commodities that the condition in connection with those perishable and semi-perishable commodities will be worse than that of wheat. That will not only affect those western Canada people, it will also affect Ontario and other provinces in the dominion who depend upon these agricultural products for their cash income.

In closing, let me say this: we believe that a dollar a bushel initial payment is a fair and reasonable request, and we hope that the committee will reconsider this question. I would like to point out that since the war broke out the government in its wisdom saw fit to freeze international exchange which means that when we sell wheat to Great Britain, instead of getting \$4.86 $\frac{2}{3}$ for every sterling pound's worth of wheat we sell, we get \$4.45, say, 10 per cent under their proper parity price exchange; and, conversely, this committee is well aware that we in the west must buy a lot of our supplies

from the United States—machine repairs, tractor repairs of all kinds—and we are faced conversely with this international exchange question of paying \$1.10 of the depreciated currency in the first place to buy a dollar's worth of goods from the United States, and added on to that is an additional 10 per cent of tariff which was put on eighteen months ago. I think it is fair to say that since the war broke out the western wheat grower in just over two years has faced an increase in his costs of production and his cost of living of at least 25 per cent, and that is 10 per cent more than the average consumer is faced with on the basis of cost of living bonuses paid by most businesses to-day. Can you wonder, then, Mr. Chairman and gentlemen, that there is so much discontentment and unrest extant all over the west to-day? Can you wonder why it is that we have in the west, I understand, about \$2,000,000 of unpaid school teacher's salaries—that is in Saskatchewan—hundreds of schools in Saskatchewan are not open to-day because the taxes cannot be paid and the teachers cannot be paid. Can you wonder why it is that this unrest is there? Our wheat growers look across the line and see a price of \$1.30 a bushel; they see the price of wheat in Ontario at \$1.26 a bushel; they see the British price for the domestic producer in Great Britain of about \$1.92 a bushel: can you wonder why there is this discontent? Finally they see this country with a national income of 6 billion dollars and that the return in 1941 for Western Canada where 20 per cent of the people reside was around 5½ per cent of that national income figure. Can you wonder that the discontent is there?

Again in closing I want to repeat that our people are not asking for things that are unfair. They say: If we fit our supply to demand it is only fair we should get a proper price for what we sell, when we do not sell all we produce. We have made this offer. In the conduct of this war and the fighting of the war for democracy, to which our people in the west have contributed equally with the other provinces in the dominion, with our sons gone from the farm, with our manpower depleted, there is no one who can question the west in its patriotism and sincerity in winning this war for democracy and bringing it to a successful conclusion. But they do believe this, in the fighting of this war and the distribution of national income there ought to be an equality of economic sacrifice. I thank you very much, Mr. Chairman, on behalf of the Wheat Pool and the delegation for the kindly hearing you have given me this morning.

The CHAIRMAN: Now, gentlemen, I think we can pass on to Mr. Wesson our appreciation of the contribution he has made in the representation he has presented to this committee this morning.

At the beginning I referred to the recommendations of the steering committee, and in accordance with those recommendations if there is someone in the committee who wishes to ask Mr. Wesson for a clarifying statement or something pertaining to the remarks he has made without going into a general discussion at this time it will be all right to do so.

Mr. DONNELLY: I should like to ask Mr. Wesson a question or two dealing with the parity price. He referred to the ceiling on wheat and he referred to bread. I quite agree with what he says, but I would remind him that 40 per cent of the flour is used by bakers and about 60 per cent of the flour is used by housewives. Will you give us a clarifying statement with regard to the effect the parity price would have on the price of flour and the same thing with regard to the price of bread?

The WITNESS: It is understood, according to the Dominion Bureau of Statistics, it takes 52 and a fraction cents increase in the price of wheat before it will affect the price of a loaf of bread one cent.

Mr. DONNELLY: Fifty-two and a half cents?

The WITNESS: Fifty-two and a fraction cents a bushel. You can increase the price of wheat that much before you increase the price of a 20-oz. loaf of bread one cent. Dr. Donnelly asks about flour. I am only speaking from memory, but I believe if the price of wheat was raised to \$1.25 it would increase the price of a sack of flour either \$1.10 or \$1.20.

Mr. PERLEY: May I say this as a further answer to Mr. Donnelly's question? If the farmer took his own wheat to the mill and gristed it into flour and took his flour home it would not affect the housewife at all.

Mr. DONNELLY: There is another question I should like to ask Mr. Wesson.

By Mr. Donnelly:

Q. Your company has how many country elevators?—A. One thousand and ninety-four.

Q. Can you give the committee the cost of running one of your country elevators? What would it cost on the average?—A. Four thousand dollars.

Q. What would you say if you were told you could run a country elevator for \$1,200?—A. I would not believe it.

Mr. DONNELLY: Thank you.

Mr. McCUAIG: When the speaker was referring to the reduction of the carry-over I rather gathered from his statement that he was more or less worried about the time when this carry-over would entirely disappear and there would be a shortage of wheat. In view of that statement would he recommend that the government should consider the advisability of discontinuing the wheat acreage bonus and also the bonus for the growing of coarse grain?

The WITNESS: I am glad you asked that question. I did not want to deal with it in my remarks but as far as the Saskatchewan Wheat Pool and the other pools in the federation are concerned we made it quite clear in the brief—I do not know whether I can put my hands on it now—

The CHAIRMAN: This looks as if it might be getting into a speech, which was not the agreement we entered into at the beginning of the meeting.

Mr. McCUAIG: I am asking a direct question only. I repeated what he said and asked him a question.

Mr. Douglas (*Weyburn*): If I may interrupt, our understanding was that speeches were not to come from members of the committee. The witness is now answering a question.

The CHAIRMAN: I am pointing it out, that is all.

The WITNESS: We made it clear in the brief that we wanted a price for wheat for those who produce, the assistance under the Prairie Farm Assistance Act for those who do not. We believed it was sound policy to pay acreage bonus for the sake of soil conservation, grass and that kind of thing. You asked me a frank question; I will give you a frank answer. We think it is all right to encourage coarse grain and to pay acreage bonus. We do not think it is sound policy to pay a summer-fallow bonus, but that, however, is the policy of the government.

Mr. CLARK: Will Mr. Wesson be here to hear some of the representations from the east?

The CHAIRMAN: The plan that the steering committee had in mind was that Mr. Wesson would make his statement and would be asked any questions that were required to clear up any statements that he made. Then we were going to ask Mr. Wesson to stand down in the hope that he would remain over while the committee is in further session.

Mr. Ross (*Souris*): Mr. Wesson made some reference to the Winnipeg Grain Exchange. Did I understand him to say that in his opinion and in the opinion of the executive the Grain Exchange was not rendering a useful service at this time? Would you care to express a definite opinion on that, Mr. Wesson?

The WITNESS: Yes. We said that and presented that to Mr. MacKinnon as he will remember just after the war broke out; but in view of the cable which was received eighteen months ago we have not discussed it since that time. Why should we have anything to say if the Cereal Board wants it.

Mr. DONNELLY: When Mr. McIvor was here a couple of years ago I put the direct question to him. I asked him if by using the facilities of the Grain Exchange he was not able to carry wheat at a lower price than if he paid for the storage. He told me he was. If we find from our Grain Commission that we are able by using the facilities of the Grain Exchange to carry wheat at a lower price than otherwise would you still say that the Grain Exchange is not playing a useful part?

The WITNESS: I think probably it is possible some times to carry it for less than $\frac{1}{45}$ of a cent, but I do not think it is important, however

Mr. DONNELLY: I think it is, because I have in my hand the barley quotations. May barley is quoted at 64 $\frac{1}{4}$, while October barley is quoted at 62. Well, if I have barley I can sell it and get 64 $\frac{1}{4}$ for it and I can buy October barley which they have to hold and carry. In October if they need it they can have it for 62 cents, and I make 2 cents a bushel on it, and it costs me nothing to carry it at all.

The WITNESS: That would be a straight loss to any elevator company who bought that to carry it.

Mr. DONNELLY: It might be. But I am illustrating how the facilities of the Grain Exchange could be used to make money.

Mr. PERLEY: If you happen to have any barley.

Mr. DONNELLY: We have lots of wheat. I may say I have done the same thing with regard to wheat. I have sold wheat when cash wheat was \$1 a bushel at Fort William and bought it back again at 99 cents and sold it in the fall a year after for \$1 and bought it back the same day for 99 cents, held it until the demand rose and sold it again some time after—as a matter of fact I do not know what the figure was—but I got well over \$1 for it.

Mr. LEADER: You were speculating.

Mr. DONNELLY: Maybe, but while we are growing wheat we have to carry it.

Mr. PERLEY: There is one question I should like to ask. The witness said something about the suggestion made by the board to the British Cereal Import Committee. What was the suggestion? Was the suggestion that sales should be by negotiation between the board and the British Cereal Import Committee instead of through the Exchange?

The WITNESS: That is what we said only two years ago. Whatever the basis of negotiation is we think that is the proper way to do this business.

Mr. DOUGLAS (Weyburn): I just want to ask Mr. Wesson one or two questions because I was not clear on this in the remarks he made.

By Mr. Douglas (Weyburn):

Q. Mr. Wesson, you mentioned the fact you thought the growth of flax would be increased by raising this price to \$2.50. You said that especially in view of the price in the United States. Can you give the committee a statement on the price in the United States?—A. I have not got it here, but my understanding was in the discussion with the National Barley Committee there would be no loss at \$2.50 a bushel because flax would be worth that in the United States where it would be crushed.

Q. You also said, Mr. Wesson, that the delivery this year would probably be in the neighbourhood of 270 million bushels, assuming 17 million acres. Then, did I understand you to say that 16 bushels to the acre was the average?—A. That would be a big average.

Q. I was going to ask you, Mr. Wesson, if you had the figures for the average of last year. Thirteen bushels was the average for 1941. You then said that the estimated crop of wheat would be in the neighbourhood of 270 million bushels this year on the basis of 17 million acres. I understood you to say—I did not get it clearly—that the average would be about 16 bushels per acre. Is that what you say?—A. I think the present year is about 13.

Q. The figure for this year is 13?—A. Yes.

Q. That is a very high estimate, 270 million bushels, assuming a better average than last year of 13 bushels to the acre?—A. Yes.

Q. Could I also ask you if I caught you correctly when I thought you said that the 50 million bushels of wheat that is sold for domestic consumption could have the price raised without affecting the treasury? Did I understand you to say that the increasing of the price of wheat would only affect the price of a loaf of bread in Regina 1-1/7 cents? What price had you in mind raising it to? Was the price you were suggesting the parity price?—A. \$1.25.

Q. A parity price of \$1.25. I should like to ask you another question. You mentioned \$1.25 as the parity price figure. Then you mentioned the fact that 1926-29 had been taken as a general level for wages, etc. I should like to ask you how you arrived at \$1.25 in the light of the statement of the delegation to the government pointing out: "In terms of money, the average price of wheat for the calendar year 1926 was \$1.49 per bushel basis 1 Nor. in store at the Head of the Lakes, equal to a farm price of \$1.29 per bushel." Is the \$1.25 figure you gave the farm price or the Fort William price?—A. No. I think if you examine the brief you will find we were dealing with price levels when we took that 1926-29 figure which we called \$1.41. That was the average. Fifteen per cent on that to equalize the cost-of-living bonus would be \$1.62. That was not a parity price. We suggested that if there was to be a price ceiling on wheat that it should not be less than that figure so that some time the price might reach it. We admitted we did not know what the parity price is, but we were quite willing to take the figures from the Bureau of Statistics. The Serle Grain Co. says that is \$1.20. We do not know whether \$1.17, \$1.20 or \$1.25. I used \$1.25 merely as a figure to illustrate.

Q. In the light of Mr. Wesson's statement I want to read to him what appears in his brief. He said on page 5 of his statement: "The position of wheat, however, is a notable exception. Taking the calendar year 1926 as a parity period, by the end of 1941 the index figure representing general wholesale prices stood at 93.6; while the wheat price index for the same year was 49.5. In terms of money, the average price of wheat for the calendar year 1926 was \$1.49 per bushel, basis 1 Nor. in store at the Head of the Lakes, equal to a farm price of \$1.29 per bushel, while the average 1941 price amounted to 74 cents per bushel on the Lakehead basis, or about 54 cents on the farm. In other words, while the general wholesale price index is now getting close to the 1926 level, the wheat index is just about one-half of the 1926 price level." In other words, as I understand it, in terms of the purchasing power of money, the price to-day would be \$1.49 basis Fort William in relation to 1926-1927 figures?—A. Yes, it might be. You are taking the 1926-1927 period. You might just as well take the 1913-1914 period.

Q. There is one other question I wanted to ask you, Mr. Wesson: you made a statement in which you added up income—assuming that you had 270,000,000 bushels of wheat at 90 cents a bushel; that would give you \$196,000,000 farm price?—A. Yes.

Q. Then you said you add on to that the bonus as wheat income—if you want to call that wheat income—and that is a total of 250,000,000; is that correct?—A. No. I was dealing, Mr. Chairman, with the bonus paid last year of 20,000,000 dollars as prairie farm income; and assuming 30,000,000 dollars for

wheat acreage reduction added to the total revenue, of 100,000,000 dollars from the sale of wheat, amounting to the total of 150,000,000—there is no connection between that and your figure.

Q. No.—A. And, I say on this year's wheat price on 280,000,000 bushels—and we can sell 280,000,000 bushels on a basis of 90 cents, which will bring \$194,000,000. That, of course, does not include the income which may accrue in the form of flax and coarse grain bonuses; which bonus, has no connection with the price of wheat.

Q. That raises this question: would you, Mr. Wesson, consider this bonus as wheat income?—A. No, I would not.

Q. Another thing: the statement has been made repeatedly that when your delegation was asking for an initial payment of \$1; the suggestion has been made repeatedly that the farmer has been receiving 70 cents basis Fort William, and receiving another 30 cents per bushel by reason of the 30-cent bonus; and taken with the 70-cent payment that makes it \$1 a bushel; do you take it on that basis, that the farmer has been receiving \$1 a bushel on wheat?—A. No. I am not merely expressing my own opinion on that. The west does not look at it that way. You see, after all, we have a lot of farmers who have summer fallowed a lot of their land and they could not take advantage of the wheat acreage reduction bonus. The only income they could get out of this bonus this year if they had a crop would be 75 cents an acre on a restricted—a total amount of \$150—if you want to take that and divide that amongst the wheat acreage. On the other hand, I think I heard Dr. Donnelly make a quotation in the house the other day where one fellow got 300 bushels of wheat and received \$2,700 of bonus; and one way or another that figured out at \$9 a bushel. Of course, you could have no wheat and be making a million dollars a bushel. I say that while you may argue that if you take wheat acreage out of production and you put it in summer fallow, you may argue that you get an increased price on the wheat on the land on which you produce wheat; but I do not agree with that, you are merely being indemnified for not producing wheat on that land and you are spending most of your money on summer fallowing. That is not increasing the price which you get for your wheat.

Q. It is still income?—A. But not wheat income.

By Mr. Furniss:

Q. But is it not a fact that you are being paid a bonus in lieu of wheat; are you not being paid a bonus in lieu of wheat which would have been produced if it had not been taken out of wheat acreage?—A. No. I maintain and the people of western Canada maintain that that is merely an indemnity for not producing wheat on certain acreage.

Q. Should it not be considered as adding to the value of the wheat you do produce?—A. I think it would be just as sound to say that if the government continues to pay this \$2 for growing coarse grains and flax that you should add that to the price you get for your wheat. As I see it, I do not think such an argument could hope to succeed. However, it is a matter of argument.

By Mr. Dechene:

Q. It is wheat income just the same?—A. The trouble is that the people who raise wheat are not the people who get all this bonus?

Q. You were talking about wheat farmers?—A. Yes. You see, under the Prairie Farm Assistance Act the people who produce no wheat get that; the man producing wheat does not get it.

By Mr. Golding:

Q. Suppose you went on growing your wheat, what would you get if there were no market for it?—A. The question is: suppose we keep growing this wheat—

Q. And there is no market for it?—A. As a matter of fact, I think I outlined enough statistical information to show that this surplus is now disappearing very fast. In spite of all you do nature takes a hand in all these things. It did last year, and it will again. In other words, we in the west who follow this situation closely are not afraid to build up unwanted surpluses. As I recall it, Mr. Chairman, in 1938 the world had a normal wheat carry-over. All this surplus came since. We have had surpluses before and we will again; but the time will come when nature takes care of this production; and as was the case in 1938 when we faced a normal carry-over of some 600,000,000 bushels in world supply. Supposing we had started during the Bennett regime, as they call it in the west, cutting acreage and had this reduction, it would have been possible for there to have been a scarcity of wheat, or a famine of wheat, in 1938, if all nations had carried out that kind of a policy. Nature takes care of these things.

Well, Mr. Chairman, in the discussion in the house the Minister of Trade and Commerce went on record that in 1938 for the four wheat-growing countries; that is, Australia, the Argentine, the United States and Canada; there was a surplus of about 300,000,000 bushels, and this year they estimate a surplus of 1,370,000,000 bushels. Now, you may be right in your viewpoint that this surplus will disappear, but that is not the picture that was presented to us in the house.—A. I think you are wrong in your year. As a matter of fact, we had a complete disaster in Saskatchewan; we produced 36,000,000, just over two bushels to the acre in 1937, and at the end of the 1937 year (that is, July, 1938) the world had a normal carry-over or surplus. I think I quoted the minister correctly when I said that he was dealing with the 1939/1940 period—am I right? Not 1938—we had a normal carry-over in 1938.

The Hon. Mr. MACKINNON: Whatever the figures were they are in the record.

By Mr. Donnelly:

Q. Mr. Wesson said, speaking of flax, that we may be unable to crush all the flax that we have in this country if we have a large crop, but that we could sell it in the United States. Can he tell the committee how much flax we can crush in this country; or, how much he estimates we can crush in this country; because we have been told in the house that there is almost unlimited crusher capacity in this country to take care of all the flax we can produce.—A. My understanding from discussing this question with Dr. Taylor, the United States attaché from Washington, is that flax crushing equipment could quite easily be made available, but that there was not enough at the present time to take care of the prospective production in this country. It is possible, however, that with the splendid war effort our ministers are putting forth that they may be able to find some way of increasing the capacity of flax-crushing equipment. Unless that is done I can see nothing for it but that flax will have to be crushed in the United States.

By Mr. Ross (Souris):

Q. In connection with flax, when you said you thought it should be increased to \$2.50 a bushel, was it also your opinion that it should be regarded as a coarse grain and used with a view to reducing wheat acreage?—A. I do not think we would have much objection to the \$2 figure; nor do I think we should take that into account in estimating the amount we receive for our wheat. I think it would assist in reducing acreage; but I think the \$2.50 is very important.

Mr. McNEVIN: As I understand the function of the pools in relation to wheat in western Canada they are, and I think quite properly, essentially a storage agency. There has been a very insistent demand from all sections of the House of Commons for a reduction in the storage carrying charges for wheat. Being a

representative of the largest pools I had expected Mr. Wesson would deal with this situation. I assume that at least in connection with this carry-over there may be a charge to the public of Canada; however, that may affect the terminals more than it does the local storage elevators. I should like to have heard Mr. Wesson express an opinion on that.

—After discussion as to procedure:

Mr. Ross (*Souris*): I move that discussion on bill number 13 be adjourned until a later date.

Mr. PERLEY: I will second that motion.

The motion was agreed to.

The committee adjourned to meet again on Tuesday, March 24, at 11 a.m.

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND REPORTS

No. 2

MARCH 24, 1942

Reference—Bill No. 13

An Act to amend The Canadian Wheat Board Act, 1935

WITNESSES

Mr. George McIvor, Chairman of the Canadian Wheat Board;
and

Mr. John H. Wesson, President, Saskatchewan Wheat Pool



MINUTES OF PROCEEDINGS

TUESDAY, March 24, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Cloutier, Cruickshank, Dechene, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Hatfield, Henderson, Lafontaine, Leader, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Mullins, Nielsen (Mrs.), Perley, Quelch, Rennie, Rheume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Soper, Sylvestre, Turgeon, Ward, Weir, Wright.—45.

In attendance: Hon. Mr. MacKinnon, Minister of Trade and Commerce; Mr. George McIvor, Chairman, Canadian Wheat Board; Mr. Clive Davidson, Statistician, Canadian Wheat Board; and Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

Discussion on the procedure for this day's sitting took place and it was agreed that Mr. George McIvor, Chairman of the Canadian Wheat Board should be the first witness, but that he would not be questioned till a later sitting. It was also agreed that Mr. J. H. Wesson would be further examined to-day on the evidence he had given before the Committee on Monday, March 23.

Mr. George McIvor was called and sworn. The witness presented to the Committee a submission on the operations of the Canadian Wheat Board during his chairmanship and referred to the statements made in the House by Hon. Mr. Hanson this session. Witness retired.

Mr. J. H. Wesson, President of the Saskatchewan Wheat Pool, was recalled, sworn, and examined. Witness retired.

The Committee adjourned to meet again on Thursday, March 26th, at 11.00 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

March 24, 1942.

The Standing Committee on Agriculture and Colonization met at 11:00 a.m. The Chairman, Mr. William G. Weir, presided.

There were in attendance:—

The Honourable Mr. James A. MacKinnon, Minister of Trade and Commerce,
Mr. George H. McIvor, Chairman of the Canadian Wheat Board,
Mr. Clive Davidson, Statistician, Canadian Wheat Board,
Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

The CHAIRMAN: We will now hear from Mr. George McIvor, Chairman of the Canadian Wheat Board. As it is the desire of the committee that all witnesses be sworn I would ask the clerk at this time to administer the oath to Mr. McIvor.

GEORGE H. McIVOR, Chairman, Canadian Wheat Board, called and sworn:

The CHAIRMAN: Now, gentlemen, I have the honour of introducing to you Mr. George McIvor, Chairman of the Canadian Wheat Board. As was indicated yesterday, the subcommittee proposed that Mr. McIvor as well as Mr. Wesson be allowed to make their respective statements without interruption and that they then be subject to questioning by members of the committee. It is with that understanding in mind that I now call on Mr. McIvor to make his statement.

The WITNESS: Mr. Chairman, Honourable Mr. MacKinnon and gentlemen:—

In respect to the wheat question before you there is, broadly speaking, a dividing line between what I will call “policy”—meaning the intent of parliament and the government in respect to the handling of wheat—and “administration”. Formulation of general wheat policy in the sense that I have used the term, is a matter for parliament and the government; administration, in accordance with such policy is the function of the board. The Canadian Wheat Board accepts the general policy that is laid down by parliament and the government, and endeavours to carry it out. The wheat board is responsible for the administration of that policy; it reports frequently to the government and makes an annual report which the minister lays upon the table of parliament. The board is ready to answer all questions that may be asked by this committee in respect to its administration. The question of policy as I have defined it, however, is a matter to be dealt with by the government and not by the wheat board.

The Hon. R. B. Hanson, during the course of an address on the wheat problem in the House of Commons on Tuesday, March 17, made the statement that the Canadian Wheat Board had been functioning illegally. Mr. Hanson indicated that the reason for his statement was the fact that the wheat board had been buying wheat in the form of futures contracts from other than producers.

Section 7 of the Canadian Wheat Board Act provides as follows:—

The board shall undertake the marketing of wheat in inter-provincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—

- (a) to receive and take delivery of wheat for marketing as offered by the producers thereof;
- (b) to buy and sell wheat: provided that no wheat shall be purchased by the board except from the producers thereof;
- (j) generally to do all such other acts and things as may be necessary for the purpose of giving effect to the intent and meaning of this Act.

Upon the legal interpretation of these clauses in the Canadian Wheat Board Act depended the whole method of operation under the said Act, and depended the feasibility of the Canadian Wheat Board when it came into operation in 1935.

Consequently, within a few days of the appointment of the first Canadian Wheat Board in 1935, the interpretation of the above clauses in the Canadian Wheat Board Act became a matter of vital importance. The issue was whether the Canadian Wheat Board in disposing of wheat could take full advantage of the futures market and conduct its selling operations in line with the established practice in the grain business and carry out its duties under Section 8 (i) and (j) of the Act, which read as follows:—

(i) in selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the board in its discretion may determine;

(j) to offer wheat for sale in the markets of the world through the established channels; provided that the board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels.

At this point it is well to outline the established practice in selling wheat on the Winnipeg market. Simply stated, cash wheat is mainly sold by exchanging the cash wheat for a futures contract which is then sold at the discretion of the seller of the cash wheat.

This matter received the immediate consideration of the first Canadian Wheat Board headed by Mr. John I. McFarland, and legal interpretations were immediately secured by that board. Mr. F. M. Burbidge, K.C., then solicitor for the Canadian Wheat Board, on August 26th, 1935, rendered the following legal opinion:—

Summing up the views which I have expressed to you at our various conferences (this is Mr. Burbidge's opinion) as to the interpretation to be placed upon the Canadian Wheat Board Act, 1935, I am of opinion,

1. That the board has, subject to the approval of the Governor in Council, the power and duty to fix from year to year the price to be paid to the "producers" for wheat purchased by the board during each crop year.

2. That the price fixed by the board and approved by the Governor in Council to be paid for wheat purchased during a crop year cannot be changed either up or down; in other words, while the price to be paid may vary from year to year, there can be but one price fixed during any crop year.

3. That while the Canadian Wheat Board Act, 1935, limits the purchases of wheat to be made by the board to purchases from "producers," yet in selling wheat from time to time on the Winnipeg market the board can comply with the rules and customs of that market but only for the purpose of and to the extent requisite for carrying through such sales.

So important was this legal decision to the McFarland Wheat Board that Mr. Burbidge was asked to consult with other counsel. Mr. E. K. Williams, K.C., met with the then Canadian Wheat Board and with Mr. Burbidge in connection with the interpretation of this part of the Canadian Wheat Board Act. On August 27th, 1935, Mr. E. K. Williams, K.C., wrote to Mr. F. M. Burbidge as follows:—

I acknowledge the receipt of your letter of the 26th of August enclosing copy of the opinion which you have written to the Canadian Wheat Board following our various interviews and discussions. I concur in the opinions which you express in your letter.

Mr. J. R. Murray in giving evidence before the special committee on marketing of wheat and other grains, under guarantee of the Dominion Government, 1936, stated in regard to these legal opinions (Page 205):—

I would sum up those two letters in layman's language by saying—it is clearly stated—that the board have no power to vary the price up or down once it has been set for the year; and, in the second place, while the board have the power to purchase futures in selling cash wheat, that gives them power to exchange. They have no power to purchase futures unless it is in connection with the sale of cash wheat.

The foregoing legal opinions in respect to the interpretation of the Canadian Wheat Board Act were forwarded by the Canadian Wheat Board to the Dominion Government and the Department of Justice.

These legal decisions rendered by Mr. Burbidge and Mr. Williams and conveyed to the Dominion Government and the Department of Justice have constituted the basic interpretation of the Canadian Wheat Board Act and have governed the operations of that board since its inception in 1935 and under the respective chairmanships of Mr. John I. McFarland, Mr. J. R. Murray and myself.

The first time the legality of the board's operations was questioned was on the occasion of the hearings of the special committee on the marketing of wheat and other grains in 1936. This committee of the house conducted hearings in March, April and May of that year. A great deal of the time of the committee was concerned with the legality of the board's operations in exchanging cash wheat for futures.

In the minutes and proceedings of the 1936 special committee, on page 206 the following questions and answers appear:—

Q. Had the wheat board any authority to buy futures in the pit for stabilization or other purposes?—A. No; that legal opinion states that clearly.

And the next question is fairly well answered by the legal opinion:—

Q. In the ordinary course of business, using the existing machinery of the trade, would the board acquire futures in exchange when making cash sales?—A. Yes.

This matter is fully discussed in the proceedings of the committee, a copy of which I am sure members of the Agricultural Committee can obtain.

This special committee reported to the House on June 11, 1936, and the report significantly contains the following paragraph:—

After a full examination of Mr. Murray and the records placed by him at the disposal of the committee, we are not of the opinion that the course taken by the board in the marketing of wheat was consistent with the intention of parliament in enacting the Wheat Board Act of 1935, and with the policy of the government to reduce the wheat surplus to reasonable proportions.

Incidentally, the committee's report was unanimous and I believe that some members of the present Agricultural Committee were members of the special committee to which I have referred.

I might add that there has never been the slightest doubt in the minds of either the McFarland Board, the Murray Board, or the Board which I now head, in respect to the ability of the Board to carry on its operations along established lines and in accordance with the intent of the Canadian Wheat Board Act.

This same special committee recommended a royal commission to make a complete survey of the production, grading, and distribution of Canada's grain, a suggestion which was later implemented by the dominion government in the appointment of the Royal Grain Inquiry Commission, by order in council on June 27th, 1936. Mr. Justice Turgeon was appointed to conduct the inquiry.

In this exhaustive examination into all phases of the Canadian wheat situation, the Royal Grain Inquiry Commission examined the operations of the Canadian Wheat Board from 1935 until 1937-38. After a thorough examination of the operations of the Canadian Wheat Board under the chairmanship of Mr. McFarland and Mr. Murray, Mr. Justice Turgeon in his final report made no reference to any contravention of the terms of the Canadian Wheat Board Act by either board.

Mr. Justice Turgeon was quite familiar with the established practice in selling cash wheat. He dealt with that practice in connection with pool selling policies prior to 1930. I cite this quotation from page 68 of the report of the Royal Grain Inquiry Commission, not because it refers to the pools, but because it is an excellent description of this method of selling wheat:—

Aside from its direct sales and other exports the pool sold considerably in the Winnipeg market. Wheat was sold on the cash market from time to time when the price was suitable and in the case of many such sales futures were taken back from the buyer, both because of the desire of the customers to do business on that basis and because if the pools did not take back the futures the customers would probably sell the same quantities of futures on the market immediately and possibly depress the price, whereas the pool could dispose of the futures in its own time, thus continuing to carry the same quantity of wheat, but in the form of futures instead of actual grain. Occasionally, these futures would be held until the delivery month and cash grain would be received by delivery through the clearing house.

Mr. Justice Turgeon also recognized the exchange of futures for cash wheat under wheat board operations, describing the operations of the Canadian Wheat Board under Mr. McFarland, that is during the months when the board's selling policies were being developed. Mr. Justice Turgeon states on page 103 of the same report:—

While considerable quantities of cash grain were sold (34,960,668 bushels), futures were acquired in exchange to the extent of 34,778,000 bushels.

For the benefit of the committee I might summarize the board's position in regard to this matter. This method of selling cash wheat was the only practical method available to the board and this accounts for the immediate steps taken by the McFarland Board to secure a ruling on the ability of the board to so conduct its operations under the Act. This ruling was accepted by the board under the chairmanship of Mr. McFarland and has been accepted by the wheat board ever since. This ruling has also been accepted by the dominion government since the Canadian Wheat Board commenced operations in 1935. I will go one step further; if the Canadian Wheat Board Act did not allow this method of selling wheat, then it would have been necessary for Mr. McFarland to have secured either by way of an amendment to the Act or otherwise the power to conduct his operations on this basis. The fact that the dominion government of that time and the dominion government of later years did not take the necessary steps to secure an amendment to the Act shows that they accepted the legal interpretation secured by the McFarland Board within a few days after it came into office.

In addition, the Canadian Wheat Board retains a firm of auditors who are constantly vigilant to see that the board's operations are within the powers conferred upon it.

During the course of Mr. Hanson's remarks in the House of Commons, he indicated that an independent audit of the accounts of the Canadian Wheat Board should be made. Under the Canadian Wheat Board Act provision was made for an independent audit and this requirement of the Act has been fulfilled since 1935. When the McFarland Board commenced operations in the fall of 1935, immediate steps were taken to appoint an independent auditor and to this end the firm of Miller, MacDonald and Company were selected. In view of the financial obligations which the dominion government would incur in connection with wheat board operations, the dominion government of the day was consulted in respect to a satisfactory firm of auditors. Miller, MacDonald and Company, appointed auditors by the McFarland Board, have continued in that capacity ever since and are still auditors of the Canadian Wheat Board.

As required under the Canadian Wheat Board Act, 1935, and amendments to the Act in 1940, it is the duty of the Canadian Wheat Board to report weekly in writing to the Minister of Trade and Commerce on Saturday of each week showing as at the end of the preceding week its purchases and sales of wheat during such week and the wheat on hand and contracts to take delivery of wheat then held, the cost of the same to the board and the financial result of the board's operations, which report shall be certified by the auditors of the board— independent auditors, I may repeat.

From the inception of the wheat board financial statements have been forwarded to the Minister of Trade and Commerce each week and each and every statement has been certified by the auditors of the board.

It is probably true to state that no government board has kept the dominion government so closely informed in respect to its operation as has the Canadian Wheat Board with its weekly reports required under the Canadian Wheat Board Act, and its very frequent consultations with the Wheat Committee of the Cabinet.

I would now like to deal with some points raised by Mr. Hanson in connection with board operations. On page 1504 of *Hansard* of March 17, 1942, Mr. Hanson stated:—

Let us assume that the farmer has sold a quantity of wheat to the board's agent, the country elevator, in September, 1939. On the same day as the board sold that wheat, it bought it back from the supposed merchandiser—bought it back for delivery to the board in December, the next futures closing date.

And also,—

I say, further, that the action of the board in buying back these contracts is a violation of the letter and the spirit of the act on the part of the board and on the part of the government that acquiesces in such a practice.

In regard to these statements, I want to make a fundamental point clear. The use of the expression "bought" and "buying" create a wrong impression. They are no more correct than to describe the transaction as a sale. Mr. Hanson has stated, "In reality, it is not a sale at all." In this he is correct, but by the same token it is not a purchase. It is actually and practically an exchange of cash wheat for futures—the buyer paying the board for the cash wheat and the board carrying the futures until they can be sold. The board takes the future at the same time from the same person and in the same transaction by which the cash wheat is sold. The method or system of exchanging cash wheat for a similar quantity of futures is the method that has been consistently followed in the normal operations of all grain and futures markets. This method has prevailed through the course of normal market trading; that is, prior to the inception of the pools. This method was employed by the central selling agency of the pools and later by the stabilization operations of the dominion government, and still later by the respective wheat boards. The method is simple from the standpoint of a grain man, but probably complex from the standpoint of the layman.

Mr. Hanson stated on page 1505 of *Hansard*:—

The plain fact is that the board was doing this bookkeeping and it was doing nothing else. There was no trading. The board bought the wheat at a fixed price, it exchanged its cash wheat for futures contracts and then continued to exchange its futures contracts at every closing date falling four times a year....etc.

This is not in accordance with the facts of the situation.

The whole basis of the system of exchanging cash wheat for futures by the board is to permit of the normal function of operations in the export and domestic sale of wheat within the fabric of what Mr. Justice Turgeon has termed "the open market, competitive futures trading system". This has been recognized by all the agencies which I have referred to previously. When the actual wheat is delivered to the board at the head of the lakes or in other marketable positions, this wheat is offered for sale at a premium or a discount in relation to the futures month. When a sale is made by the board to perhaps a domestic mill or an exporter, the actual wheat is exchanged with the buyer for a similar quantity of futures. In other words, the wheat board sells the actual cash wheat to the purchaser, whoever he may be, and in exchange takes back from such purchaser a similar quantity of futures. In effect, it is merely a sale of wheat in an immediate position, which wheat is exchanged for wheat for future delivery.

Mr. Hanson states that no money had changed hands in the transaction. This is quite incorrect. The buyer pays in full for the actual wheat by cheque on the day on which he takes delivery. To follow the transaction through, he then charts his lake steamer and ships the wheat forward to a selling position. This is the first advantage in such a transaction. It enables the forwarders of our wheat to put it into an actual selling position. In the meantime, until such time as the wheat is sold this wheat is hedged, the hedge having been effected by the exchange with the wheat board of actual wheat for a futures contract. In other words, if no further step is taken the position of the board remains unchanged, that is, it is merely an exchange of wheat in an immediate position for a contract for wheat in a distant position. If no further step were taken it is quite true there would be no actual sale of wheat; that is, the position would

remain unchanged; but a further step is taken, because the exporter puts his wheat forward and he disposes of it when he has an opportunity and purchases his future in the futures market to cover the sale that he has made abroad.

In the meantime, the wheat board, having exchanged wheat in an immediate position for wheat in a distant position in the form of a future, can dispose of this future any time the market will absorb the selling, or at any time when in the judgment of the board it is considered advisable to sell. As these futures are sold by the board it reduces the quantity of wheat held by the board. For example, in 1938, which is the year Mr. Hanson refers to, the Canadian Wheat Board received 292,574,748 bushels from producers. During the crop year 1938-39 board sales of this wheat amounted to 206,035,194 bushels; a balance of 86,539,553 bushels of wheat delivered to the board during the crop year 1938-39 remained in the hands of the board and unsold, and of this unsold wheat 9,572,178 bushels were delivered to the board in July, 1939, or during the last month of the crop year. This sales record is hardly in accordance with Mr. Hanson's statement that, "The plain fact is that the board was doing this bookkeeping and it was doing nothing else. There was no trading."

From a monetary standpoint the position of the board in exchanging cash wheat for futures is that in practically all cases it is possible to dispose of the actual wheat in exchange for wheat in a future position at a margin that is less than the actual cost of carrying the wheat from the date of sale to the time when the futures contract is deliverable. For example, in November, 1939, we were able to spread from the November future to the May future at approximately $5\frac{1}{8}$ cents when the actual carrying charges were over 7 cents per bushel. It is obvious that it is far better for the board from a strict monetary standpoint, and, altogether apart from the fact that by so doing the wheat is enabled to be moved forward to saleable position, for the board gains financially as against simply holding the wheat until the following May and then disposing of it at that time.

I would like to stress one important factor in connection with this method of selling wheat. The whole effect is to continually push cash wheat forward into saleable positions and that is the first stage in getting our wheat moved into export trade. Any suggestion that this method of selling wheat results in the holding back of wheat is entirely contrary to the facts.

On page 1506 of *Hansard* Mr. Hanson states:—

By this practice the Board maintains the elevator companies in such unexampled luxury that their incentive is to hold, not to sell the wheat. What incentive is there for these elevator companies to sell this wheat?

Elevator companies act as agents of the board in receiving board wheat from producers. This wheat, once it is received, is entirely under the control of the board and the elevator companies have absolutely nothing to say as to when it will or will not be moved. In its operations the board orders elevator companies to forward board wheat as the board requires it in a deliverable position. As a matter of policy the board is constantly ordering out board wheat from country elevators in order to keep a sufficient quantity of wheat in deliverable position to meet all cash demands for wheat of all grades. This matter is not at the discretion of elevator companies in any way whatsoever.

Mr. Hanson made reference to another matter which does not actually come within the jurisdiction of the Canadian Wheat Board. He referred to the earnings of elevator companies from storage. Storage charges in Canada are statutory. That is, they are fixed by the terms of the Canada Grain Act which comes under the jurisdiction of the Board of Grain Commissioners for Canada and any questions in regard to storage rates immediately involves the terms of the Canada Grain Act.

I now wish to refer to a lengthy extract from the *Economic Journal* quoted by Mr. Hanson on page 1507 of *Hansard* of March 17, 1942. This article was written by A. Shenfield. Mr. Shenfield has a right to express his opinion and he has done so in the article referred to by Mr. Hanson. I would remind the committee, however, that Mr. Shenfield's view is only one view in connection with the 1938 position. It is not my place to discuss the statements which were issued by the Prime Minister and the then Minister of Trade and Commerce, the Hon. W. D. Euler; it is my duty, however, to present the board's position fairly in this regard. During 1938-39 we faced an extremely difficult wheat situation. We were paying the producer 80 cents per bushel for No. One Northern wheat and we had to sell wheat in a world market which would return us much less than the price we were paying to producers. The board at that time exercised the best judgment of which it was capable in moving as much Canadian wheat as possible and at the same time securing the best possible price obtainable under the circumstances. How successful the board was in this objective can only be a matter of opinion, as demonstrated by Mr. Shenfield. I would, however, like to draw the attention of the committee to several comments made by the Food Research Institute of Stanford University, considered to be the world's leading authority on wheat.

In January, 1939, the Food Research Institute stated:—

Government agencies in the United States and Canada were in a position to determine the course and level of international prices within fairly wide limits. They chose nevertheless to operate in such a way that their probably substantial influence was relatively inconspicuous, and the normal operation of the markets was little disturbed. The United States could not support international prices without abandoning serious effort to attain exports of 100 million bushels during the crop year; but it strove to obtain the desired export sales with minimum price-depressing effect. The Canadian Wheat Board, receiving all the wheat delivered in Western Canada, placed it on the market through sales both of cash wheat and of futures at rates that allowed Canadian wheat to be steadily offered abroad at competitive prices, but without putting pressure on the market.

In November, 1939, the Food Research Institute stated:—As we have seen, practically all of the wheat that moved from the farms of western Canada was sold at fixed prices to the Canadian Wheat Board. It, in turn, had the task of selling the grain. The broad policy of the board was set forth in an order issued by the Minister of Trade and Commerce, W. D. Euler, early in August, 1938, which included this statement:

The milling and grain trades of the world are advised that, notwithstanding the internal initial price of 80 cents per bushel, the Canadian Wheat Board will continue its work of encouraging the use of Canadian wheat, which will at all times be competitive on the world's market.

Beyond this, no explicit information on selling policy or operations has yet been disclosed. Pending official reports of daily sales, rumors and opinions expressed in trade circles cannot be accepted as reliable. It is generally agreed that the task was discharged shrewdly, smoothly, and consistently. Sales were made for domestic milling and for export through the regular trade, in such ways that both futures and cash markets continued to function normally, and there was no pegging of prices.

And in October, 1940, the same authority had the following comments to make upon Canadian policy:—

The above analysis of the selling policy of the CWB indicates that the board handled its sales with great caution and substantial skill. It

reduced its sales when markets were weak and when prices showed a tendency to decline and took advantage of any increase in demand, usually selling larger quantities at rising prices. All sales for export and for domestic milling were made through the usual trade channels, and with the use of facilities of the Winnipeg Grain Exchange. Considerable effort was made to avoid disturbance of the normal process of price formation. In spite of this, international wheat prices were unduly depressed in 1938-39. Even skillful and cautious handling of operations failed to eliminate the inherent weaknesses of a system of competitive subsidization of exports.

In the light of these statements by the world's recognized authority on wheat marketing, I would like the committee to consider part of Mr. Shenfield's article. He states:—

The rapid decline in Canadian prices had clearly been precipitated by the government's announcement. The Canadian government had announced its intention to sell wheat at a loss and without limit.

This deduction is without basis. Neither the Dominion government nor the Canadian Wheat Board had at any time announced that Canadian wheat would be sold at a loss and without limit, but this is Mr. Shenfield's deduction from a statement made by the Prime Minister of Canada, quoted by Mr. Shenfield as follows:—

Notwithstanding the internal price of 80 cents per bushel, the Canadian Wheat Board will continue its work of encouraging the use of Canadian wheat which will at all times be competitive on world markets.

This unwarranted statement in regard to Canadian wheat policy in Mr. Shenfield's article follows only by several paragraphs his outline of the world wheat situation in 1938. For what it is worth I will read Mr. Shenfield's summary:—

The world wheat area sown in 1938 was exceptionally large. At 289 Mn. acres (excluding Russia, China and certain minor countries) it was about 5 per cent greater than the average of the preceding five years and about 20 per cent greater than the 1923-27 average. In the four principal exporting countries, Canada, the United States, Argentina and Australia, the acreage sown was about 57 per cent greater than the 1923-27 average. The magnitude of the 1938 area was the culmination of a persistent, if irregular, expansion all over the world, and especially in the great exporting countries, during the past twenty years. The wheat-producing capacity of the world has not ceased to grow since the extraordinary impetus given by the Great War. Even the European importing countries have increased their capacity, in spite of the great expansion overseas. The effect of the large acreage on supplies was increased by an exceptionally good yield in 1938. This was the reverse of the experience of previous years when a decline in unit yield offset an increase in the area sown. The result was that total production for 1938-39 was more than 25 per cent greater than the 1933-37 average and nearly 30 per cent greater than the 1923-27 average.

The increase in production was fairly evenly spread over the majority of exporting and importing countries. Thus while exporters' surpluses increased very substantially, importers' requirements increased only slightly. World exportable stocks at the beginning of the 1938-39 season totalled 330 Mn. bushels. This was a fairly low figure, the result of a series of poor yields in exporting countries, and about 40 per cent below the average carryover during the previous five years. But the exportable surplus of the new crop is estimated to be about 850 Mn. bushels, or

nearly three times that of the previous five-year average. Thus total exportable supplies this year reach the figure of 1,180 Mn. bushels, which is not far short of the record average of the period 1928-29 to 1932-33. Of the four principal exporting countries the United States have about 300 Mn. bushels to dispose of, Canada about 250 Mn., Argentina about 250 Mn., and Australia about 125 Mn. The Australian crop has been poor in comparison with those of the other exporters. As against a total exportable surplus for the season of 1,180 Mn. bushels, total import requirements are estimated at 570 Mn. bushels, leaving an estimated carryover in exporting countries for the next season of over 600 Mn. bushels in addition to about 160 Mn. bushels for seed requirements. This is well over annual world import requirements in recent years. For the world as a whole, including both importing and exporting countries (but always excluding Russia and China), total available supplies this season are estimated at 5,080 Mn. bushels, while consumption is put at 3,900 Mn. Thus there is anticipated a world carryover of 1,180 Mn. bushels, or nearly one-third of recent annual consumption.

In the face of that situation is it reasonable to attribute the precipitate decline in wheat prices to policies pursued in Canada?

Pursuant to the subject under discussion, the Food Research Institute stated in September, 1938:—

The increase in total wheat supplies between 1937-38 and 1938-39 is expected to be the largest recorded in post-war years, and about on a par with the spectacular changes in supply position between 1897-98 and 1898-99 and between 1914-15 and 1915-16.

Mr. Chairman, I wonder if I might make a few observations. I know you want to hear Mr. Wesson, and I am willing to be guided by the committee in this matter. However, Mr. Chairman, I should like to say this: I was present at the committee meeting yesterday morning and, frankly, I was very perplexed as to whether these charges were charges or otherwise. I listened to Mr. Diefenbaker. I was not sure just what he meant, but I just wish to say this that as far as I and my colleagues are concerned they are charges. Now, this matter has been covered very fully in all the western newspapers. So far as the western press are concerned and so far as the public in western Canada are concerned, they are interpreting these statements of Mr. Hanson as charges against the government and the wheat board. Now, either they are charges or they are not charges; and if they are charges, Mr. Chairman, I respectfully suggest to this committee, as Chief Commissioner of the Canadian Wheat Board, that Mr. Hanson appear before the committee. I think that is only fair.

Now, here is an editorial which I should like to read if I might take up the time of the committee for a moment. It is a very short editorial and I should like to read it. It is an editorial which appeared in the *Winnipeg Tribune* and reads as follows:—

As a result of criticism voiced by Hon. R. B. Hanson, opposition leader, there is to be an enquiry into the operations of the wheat board. Trade Minister MacKinnon has promised that members of the board and also of the Board of Grain Commissioners would be called as witnesses before the House committee on agriculture.

This is a large committee, and there have been suggestions that the enquiry might be more effectively conducted by a special committee of a dozen members or even by a Royal Commission. So many enquiries into the wheat business by Royal Commission have been held in the past twenty years that the very thought of still another Royal Commission is objectionable in wartime on the ground of expense.

No matter how the enquiry is conducted, however, it should not be a mere fishing expedition trying to substantiate or disprove vague accusations. Mr. Hanson, in the course of his extensive remarks on the method by which wheat marketing is now carried on, said that the wheat board is "permitted to operate illegally". This is a grave charge, at least in its implications. But its weakness is precisely that the gravity is in the implications. If Mr. Hanson believed an enquiry was called for, he should have made specific charges, and the enquiry should be an examination of those charges.

The opposition leader appears to believe that there is something irregular in the use by the wheat board of the clearing house facilities of the grain exchange. As a matter of policy, the facilities of the grain trade have been and are being used not only by the wheat board but also by the governmental cereal import committee in Great Britain. It should have been possible for him to criticize that policy without throwing out vague suggestions of illegality and malfeasance on the part of the men who are carrying out that policy. Mr. Hanson should submit specific charges, or withdraw his implications.

Now, I just wish to say this, Mr. Chairman: first of all, I want to go back to what I said in the earlier part of my statement, that the board is ready to answer all questions that may be asked by this committee in respect of its administration. There have been a number of questions raised about the accounts of the board. Our books are in Winnipeg, and I shall be very pleased indeed to arrange for Mr. Findlay, our comptroller, who is responsible for the records of the board, to appear before this committee; but I say to you now, in all fairness, that these questions should be directed to us now, so as to enable Mr. Findlay to go over our records and bring down the answers.

Hon. Mr. MACKINNON: Or the necessary records.

The WITNESS: Or the necessary records, to establish the answers.

Now, ours is a very big organization, and I leave it to you if it is reasonable to ask the board to bring the records of the wheat board to Ottawa. It cannot be done. I just suggest this very respectfully to this committee, that those gentlemen who have asked for this information should give us advance notice so that Mr. Findlay can bring the necessary records and come down here and give evidence before the committee.

There is just one other question with which I should like to deal and it is this: you have a bill before the committee. There are certain matters pending now which I am not in a position to discuss with the committee in which a great deal depends upon whether this bill goes through parliament or not. I would suggest to you—I do not know what your parliamentary methods are or how the committee will view this suggestion because I am completely in ignorance of your rules—but I would suggest that this bill should be put through. If you desire to make an examination of the wheat board that is one thing, but you are holding up the work of the board if you intend to go on into the summer examining into the records of the wheat board—in the meantime you are holding up this bill or this Act or the amendments to the Act, and you are going to seriously handicap the board. We have to prepare our plans for the handling of the new crop and we are very late now. I think it is only fair that the Act should be put through so that we can get to work.

There is just one question more. I am sorry to have kept you so long. Several suggestions have been made here that brokers are going to be brought down here to give evidence against the wheat board. One day I think there were six and the next day it went up to twelve. Now, all I want to say is that we are perfectly happy to have them come down here if they so desire and perfectly happy to have them brought here and we will deal with their charges when they are made. I thank you, Mr. Chairman.

The CHAIRMAN: Mr. McIvor, I am sure the committee is indebted to you for the clear-cut statement that you have made to us this morning. Probably at another time there will be further opportunity of having representations from you made to the committee.

Now, as was agreed at the beginning of to-day's sitting, Mr. Wesson will have an opportunity of again being examined by the committee. May I therefore call Mr. Wesson back to the stand.

Is it the wish of the committee that Mr. Wesson should be sworn?

Some hon. MEMBERS: Yes.

The CHAIRMAN: I will ask the clerk of the committee to administer the oath to Mr. Wesson.

Mr. JOHN H. WESSON, *recalled and sworn*:

The CHAIRMAN: Now, may I urge upon the committee that we proceed in as orderly a manner as we can. This is more or less a question period and I hope that your questions can be to the point; and I am sure that Mr. Wesson will be glad to answer them to the best of his ability.

By Mr. Ross (Souris):

Q. Mr. Chairman, I should like to ask Mr. Wesson his opinion as head of the pools on the present cost of storage taking into account that we have wheat carried during twelve months of the year and stored under a special arrangement by the government. Is it his opinion that these elevator companies could still operate at a profit with a reduced storage charge; that is, less than the $\frac{1}{45}$ of a cent per day per bushel; is his opinion to the effect that that storage charge might reasonably be reduced?

Some hon. MEMBERS: Hear, hear.

The WITNESS: Mr. Chairman, I am of course in the hands of the committee. The statement which I made yesterday dealt simply with the amendments to the Canadian Wheat Board Act, the Wheat Bill, No. 13, if it is agreed by the chairman of this committee that questions of this kind are relevant to the question under discussion I do not mind answering.

The CHAIRMAN: I hesitate to give a ruling on a matter of that kind. I should think that this committee would view the matter of the amendment to the Canadian Wheat Board Act as involving the general policy of the Canadian Wheat Board, which in turn brings up the question of the manner in which grain is handled by the wheat board with elevator companies. I am not asking Mr. Wesson to answer this question. That is his privilege. I think the whole thing becomes part and parcel of the general policy.

Mr. McNEVIN: I might say that Mr. Ross' question is simply a repetition of the question that I asked at the conclusion of Mr. Wesson's statement yesterday. I would like to have that information.

The WITNESS: It is O.K. with me, Mr. Chairman.

The CHAIRMAN: I have no objection.

The WITNESS: Mr. Chairman: I think probably this question of storage or carrying-charge has been a contentious one for a long number of years, even before 1939. I think it is generally understood by the members of this committee that the fixing of these storage rates is entirely in the hands of the Board of Grain Commissioners carrying out their duties under the Canada Grain Act. The question, frankly, was: is it my opinion that these charges ought to be reduced? I do not know whether this feature is known to the committee; ordinarily, and for a long period of years the storage has been one-thirtieth of a cent per day per bushel. Starting with August 1, 1940, the Board of Grain

Commissioners in view of these large stocks of wheat being carried at that time and since, lowered their charge to one forty-fifth of a cent per bushel per day. Last year in the negotiations which took place between the government and all the elevator companies to arrange for the building of terminal space at the head of the lakes a written agreement was entered into by all the elevator companies including the pools that until the end of July, 1943, the present rate, that is one forty-fifth of a cent per day per bushel should not be reduced. So that from the standpoint of making changes prior to that time, I hardly think it is possible. I would like to state that in my opinion the agreement with the government was a fair one. All the elevator companies had conceded to a reduction in August, 1940; and in view of the fact that a large expenditure had to be made by someone—at least, so we thought at that time—to build these temporary annexes with a capacity of approximately 50,000,000 bushels, that it was only fair that those companies who were taking the risk in investing their money—I think the figure would be about \$5,000,000; and I know it cost the Saskatchewan Wheat Pool \$1,000,000 to build 10,000,000 bushel space—it was only fair that they should be protected against possible loss in the event of grain moving out of the country sooner than they expected with a result that these facilities might not need to be used. I think that was the basis of the agreement. I should like to say that because of the very large movements of wheat from this country last summer some of that space at the head of the lakes has not yet been used; and that, to the extent that it has not been used, is a total loss to those who invested their money in building this storage space—not because they wanted to do it, but because they wanted to assist the government in dealing with this storage question in carrying this wheat until it could be sold.

Now, the question is: do I think these rates should be lowered; or, are they too high: speaking from the standpoint of the Saskatchewan pool, I would say this: if we can always be assured that we can keep our balance sheet out of the red and make sufficient earnings each year to meet our commitment with the Saskatchewan government of principal and interest on the over-payment brought about in the marketing of the 1929 crop; if we can always be sure that we have sufficient revenue to meet a commitment of \$1,100,000, then, the question of reducing the carrying charge is not important to us.

It is true that the marketing of the 1940 crop did bring into all companies very large earnings, not so much from storage as from the turn-over of a large crop. Our own organization in 1940 handled 103 million bushels. We earned considerable money from storing grain both in the country and at the terminal, and in those special bins we built in the country. Saskatchewan pool supplied a very large share of that. But the present year, 1941, crop presents a completely different picture. 1941 finished its grain year at the end of July, 1942. We anticipate that our handle, because of the light crop, will be just about cut in two; instead of handling 103 million bushels it will be between 50 and 60 million bushels according to our present estimate. It is possible that you can reduce the income of an elevator company so much in turn-over of grain because of small crop that the carrying charges on the balance of the grain carried from previous years become an important factor in keeping you out of the red in that particular year because of a small handle.

I want to repeat, as pools we are not very greatly concerned with this rate of carrying charge. The North-West Line elevators may be. I do not know whether they would give you the same answer that I am giving you or not. They may be more concerned than we are. If, however, in August, 1943, when we get to the place or the time when this agreement with the government expires conditions are such that these carrying charges might be lowered, then I am sure that all three of the pools will be glad to agree to a lowering of the charges. If, however, conditions are such that the wheat movement out of the country

coupled with whatever crop is produced or permitted in that year we believe it is not advisable that they should be lowered—or even we might then think it advisable to bring it back to the 1/30 of a cent once more—then, we shall ask for whatever rate is necessary so as to maintain our organization in such a position that we may be able to meet our commitments. To my Saskatchewan friends let me say this in finishing my answer to the question, which has been quite a long speech. As an elevator company, a subsidiary of the pool organization, we depend on earnings from the grain handled for the same members who belong to the pool; and if we are faced with the position where we are in the red and cannot meet our commitments to the Saskatchewan government, it will just be too bad for the Saskatchewan wheat pool and the Saskatchewan government.

Mr. Ross (*Souris*): Mr. Chairman, I do not think Mr. Wesson answered my question in detail. I am not just speaking from the viewpoint of the pool. I am speaking of the grain trade in general and asking his opinion as an experienced man handling elevators. I understand that these country elevators—and I am more concerned about that end of it than the terminal end—were allowed to construct these annexes, with the government commitment to write off the cost in two years, I think, for income tax purposes and so on. I think you will admit that on the average those annexes could be paid off, if they were filled with grain, in considerably less than one year. It is a temporary measure during these last two or three years for carrying this tremendous surplus. If these annexes are filled with grain on that basis, while we have this tremendous surplus, the question I wanted to ask was whether, as a war measure, the grain trade in general could not still make a profit at a reduced charge per bushel under those arrangements with the government which now exists, for the duration of the war.

Mr. McNEVIN: I should like to supplement that, as I have been associated with Mr. Ross in this question. Naturally the reaction of a person looking on from the outside is this. The Saskatchewan pool apparently, as a hang-over from the 1929 over initial payment, have substantial obligations to the Saskatchewan government. The rates as they are at present, under present conditions, Mr. Wesson, permit you to meet interest on your investments, carry on your cost of operation and still take care of your obligations to the Saskatchewan government. But many of these line elevator companies are not in that position. That is the point that appeals to me.

WITNESS: Of course, Mr. Chairman, I could not speak for the Northwest Line Elevator Companies. They will have to speak for themselves. I think I should say this to you, however, our organization, being as large as it is. Apart from the temporary space we have 1,094 country elevators. We have about 20 million additional temporary space in the country. We have those extra 10 million space at the terminals. In years like 1939 and 1940, because of the size of the organization and because of the large volume, the net earnings at the end of the year are extraordinarily large in comparison with smaller companies. But conversely you should consider bad years. Let me take you back to 1937; when we were through with our 1937 crop and our records were complete in July, 1938, after we had taken care of our cost of operation, with no depreciation—merely taken care of cost of operation—and met our commitments to the Saskatchewan government, we had depleted our reserves over \$2,000,000. There is a difference between a good year and a bad year.

By Mr. Donnelly:

Q. Would you mind telling the committee what percentage of the total storage you have and what percentage of the total wheat you handle, so that we will be able to get an idea as to your storage and what you handle?—A. I will only be speaking from memory, Mr. Chairman; but for a long number of years the Saskatchewan Wheat Pool, according to the Board of Grain Commissioners'

report, handled somewhere around 45 to 47 per cent of all the grain delivered in Saskatchewan. We have about one third of the elevators, which means that those farmers in the country who own those facilities like to use them. In 1940 our percentage of handling was reduced because of the car shortage, in comparison to the necessary movement of grain; all facilities were filled. Thousands of our growers could not use the facilities which they owned and this reduced our percentage from 46 to 40. I think at the present time for all the season our percentage is around 41. I am speaking from memory but I think that we operate about 25 per cent of the space at the head of the lakes. I want to make this clear. We are purely a Saskatchewan organization. We own and operate about one third of the elevators and space in the province, about 25 per cent of all the terminal space.

By Mr. Evans:

Q. To what extent are the temporary annexes being used now for storage in Saskatchewan?—A. Did you hear the question, gentlemen?

Some hon. members: No.

WITNESS: The question asked by Mr. Evans was to what extent are these temporary annexes being used. As a matter of fact, they were all filled.

Mr. EVANS: For the present year.

By Mr. Ward:

Q. Would you explain what is meant by temporary storage space?—A. It is merely cheaply put-up bins that we hope to disband or to wreck at the earliest possible moment. Those bins were nearly all filled last fall. We hope that as soon as navigation opens,—we are trying even now to clean out these temporary bins and we are hoping to be able to clean every one of them out because it is too risky to keep grain in these temporary annexes very long. We are afraid of mites and we are afraid of all kinds of things. We would have to clean them out.

By Mr. Evans:

Q. If there had not been any annexes, there would have been a lot of wheat that we would have been unable to market?—A. Yes.

By Mr. Leader:

Q. Following the statement made by Mr. Wesson, I want to ask him a question. In the agreement made with the government, is it not true that they are guaranteed at least two years' storage in these temporary storage elevators which they have built, whether they are full or not?—A. No. That is not true.

Q. I mean, confined to the 50 million bushels.—A. No. That is not true. Did you all get the question, gentlemen?

Some hon. members: Yes.

The WITNESS: The question is whether the elevator companies are guaranteed the full rate of storage for two years on the basis of 1/45, whether grain is there or not. No, it is not true.

Mr. LEADER: May I, Mr. Chairman, direct this question to the minister. I took it when he read the brief last year that they were guaranteed two years' storage for their capacity.

Hon. Mr. MacKINNON: No. That is not my recollection.

Mr. LEADER: It is not true?

Hon. Mr. MacKINNON: No.

By Mr. Wright:

Q. In the agreement for the building of this terminal space at the head of the lakes, is there any clause which provides for their destruction after the surplus in Canada has fallen below a certain level?—A. Yes. Mr. Chairman, there is an agreement. But the agreement is not between the government and the elevator companies. There are two agreements in existence; one between all companies and the government and the other agreement in connection with demolition of these annexes is between members of the grain trade, the United Grain Growers and the pools.

By Mr. Douglas:

Q. Does that apply only to the annexes in the country?—A. No. Just the terminal annexes; not in the country.

Q. It applies only to terminal annexes?—A. Yes.

By Mr. Ross (Souris):

Q. Might I ask Mr. Wesson how these elevators are paid? Is there fifteen days free storage allowed as used to be the case in the normal trade, or are they paid now from the day the grain is delivered in the pit of the elevator? Do they collect storage while the grain is in the freight car and in transit to the terminal, some thirteen days being allowed for transit and unloading, normally? Do your elevator companies collect storage on those two periods from the Canadian Wheat Board?—A. When wheat is delivered on what we call class B basis—that is, settlement is made by cash by the agent—the carrying charge, which includes interest on the money advanced, is paid by the wheat board immediately it is reported from the head office to the wheat board office. The second part of the question was, is storage in transit paid? It is to the limit of thirteen days only.

Q. In that same connection, I presume your reports are made every twenty-four hours. Is that right? You answered by saying that once you reported then you were paid from that time on. I presume your reports are made every twenty-four hours. Is that right?—A. Well, we try to get reports in as soon as possible, naturally, because we have a lot of money invested in the grain advanced to the grower, and we want to get our storage and interest on the money. But in a province like Saskatchewan where we are scattered—and I think we cover the province almost completely with branch lines and all that kind of thing—I would say it takes anywhere from four to six days to get a lot of this grain reported to Winnipeg and before we start to get a return.

By Mr. Golding:

Q. I wonder if you, Mr. Wesson, could give the committee the earnings on your investments or the profits on your investments earned from storing grain in 1940?—A. I do not know that I can answer that question. I am not an accountant. If our treasurer was here, he could answer it in just a minute. But I can say this to you, that prior to the time in 1940 when storage charges were reduced to $\frac{1}{45}$ of a cent a bushel our position was something like this: We handled of the 1939 crop approximately 80 million bushels of wheat belonging to the wheat board. We collected carrying charges from the board of 2.6 cents per bushel. Deducting the interest the straight storage would amount to 2.2 cents per bushel over the entire amount for the full year. Taking the complete amount handled in that year, which was 116 million bushels, and dividing our total revenue from storage and carrying charges, including interest for the full year on 116 million bushels, our total revenue worked out to 1.97 cents per bushel.

By Mr. Blair:

Q. I understand the Board of Grain Commissioners regulate the charges. I should like to ask if any members of the Board of Grain Commissioners are owners of elevators or are they in a position to profit by the prices they regulate?—A. Very definitely not. They are all independent and employees of the dominion government.

By Mr. Perley:

Q. With respect to the storage charges, I have the agreement here that was made by the government with the elevator companies. The pools are parties to the agreement more or less—you have to be, because the elevator companies are handling the grain in western Canada. Do you agree, in answer to Mr. Ross' question, that it is fair to be allowed storage from the time the grain is taken into the country elevator until it arrives at the terminal at Fort William? Under the Canada Grain Act the farmer is entitled to fifteen days' free storage in the interior elevator. This agreement really means that they are paying from 35 to 40 days more than they should. The farmer is losing the right of free storage. That means it is over a cent on the wheat. Do you consider that is fair? He pays the storage on grain practically 30 days more than under the Canada Grain Act he is entitled to.—A. I do not agree with that statement at all. As a matter of fact the wheat producer of the west to-day has exactly the same privileges that he had previously. He can get his special bin in the elevator and get 15 days' free storage if he can secure a car. He gets that free storage in transit.

Q. What about the class "B" wheat?—A. I will come back to that in a moment. He gets that free storage in transit in which case he will merely turn his wheat over to the board through the pool or some other company at the terminal. But so far as class "B" wheat is concerned the elevator operator pays the cash in full and the grower is through with it except he has a certificate. He is entitled to further payment if further payments are made later on. Now in the meantime the elevator company is out its money. It is using its credit for the Wheat Board. It has to pay interest. Ordinarily under the ordinary movement of grain, leaving the Wheat Board out of the picture altogether, all charges and price spreads have been arranged for years to take care of the necessary expenditure and cost. I do not want to get into Mr. McIvor's category of explaining futures at this stage, but it is necessary on open market grain which involves storage just as much as Wheat Board wheat, it is necessary for elevator companies to hedge. They sell on future against the purchase of the cash wheat in the country. Now the basis on which they sell takes care of those carrying charges which, I understand, some of you are objecting that the Wheat Board are paying. There may be a difference, of course, in the amount as explained by the chairman of the wheat board this morning. All these revenues from the standpoint of handling are I think proved by the balance sheet at the end of the year and are necessary to maintain a proper income commensurate with services rendered for each class of business so that the balance sheet is not in the red at the end of the year. Let me say this before I sit down. What seems to worry the committee this morning is that all companies are making a lot of money out of those storage terminals at the head of the lakes. I do want to say this. The Saskatchewan Wheat Pool was the last to agree that these should be built and we now know we were right. We said the better place to handle it was the facilities back on the farm in Saskatchewan and we still stand on that principle and time has proved we were right. But what were we to do? The government said these terminals must be built by someone. Naturally we could not sit back and watch all the others build this terminal space; and after the space was there, naturally the growers of the wheat were wanting their fifty cents. To use

that space they would have been forced to leave their own facilities in the process. In other words we were forced into the position where we had to cooperate and build although we thought it was not sound.

Q. Then to come back to this class "B" wheat again. Under the present set-up of the quota delivery system a great deal more of the wheat is in the "B" class than formerly, and naturally lots of the wheat farmers can only deliver 200 or 300 bushels in their quota, so a great deal comes under the "B" class and therefore the farmer is paid a lot less than under the "A" class. He takes his loss there. Then the company taking it reaps the benefit, because they take advantage of this storage in the car and are paid storage by the wheat board immediately. They make a profit there. Under the quota delivery system a lot of them are forced under the 700-bushel allotment; it comes under the "B" class. Am I not right in that?—A. Well hardly. As a matter of fact the spread of handling class "B" wheat or street wheat to-day is so close to the car lot basis where the grower pays $1\frac{3}{4}$ cents, pays freight and his own dockage and so on, if the dockage is less than 3 per cent there is only about $\frac{1}{2}$ a cent difference between the final settlement and the amount the grower can get at the head of the lakes. If the dockage is 5 per cent then the class "B" man is better off. That is, he gains a little more than if he shipped in carloads and gets 5 per cent dockage and pays the freight on the dockage.

By Mr. Golding:

Q. Mr. Wesson suggests, according to his idea, the storage should be dealt with on the farmer's own property. Does he suggest that the government should pay the storage at the storage places or should the farmer pay that himself?—A. No, sir, we do not. What we were concerned about, Mr. Chairman, in connection with the policy before these terminal annexes were built was this: We definitely agreed and recommended the policy under which the wheat board would pay storage only to the amount of wheat that would be taken; and we believed that the balance of the grain ought to be left on the farm and storage be paid on it. That is sound investment and the best basis of crop insurance that could be devised against crop failure in ensuing years.

By Mr. Perley:

Q. May I ask just one other question? Take "A" class wheat which has a service charge of $4\frac{1}{2}$ cents. If you increase the amount to the elevator companies 1 cent per bushel do you think that the $4\frac{1}{2}$ cents is a fair amount? Do you say that any service is really rendered for that charge?—A. There might be an argument as to whether the cent is too high. The only answer I can give to that is it costs a lot of money to operate the head offices. Somebody must pay for the operation of the head offices in Regina and Winnipeg. It is a question of argument as to whether the cent is too high.

Q. For a great many years it was $2\frac{3}{4}$ cents. Why do they have to charge the extra money?—A. That is not correct, $1\frac{3}{4}$ cents plus 1 cent service charge.

Q. Now the service charge is $4\frac{1}{2}$?—A. That is on a street settlement of class "B" wheat.

Q. On a carload lot?—A. Four cents, yes.

Q. Mr. Wesson, I was under the impression that your organization in the Saskatchewan pool joined with others in asking that the government make provision for the construction—petitioned the government to build this temporary construction?—A. Yes.

By Hon. Mr. MacKinnon:

Q. I do not think that is in conformity with your statement?—A. I should clarify that. When I said the pools were the last to agree that this thing should

be done I meant in the meetings held in Winnipeg; but we understood, as a matter of fact, that the minister himself made a statement either in Hansard or to the press that this storage had to be built.

Q. Built some place?—A. Then we got together. I might as well be frank about this. We very much preferred that that storage be built at the head of the lakes rather than that someone else should build it in eastern Canada.

Q. You mentioned that you disagreed with the policy of the government in building what they called the temporary elevator space—the space referred to is the space at the head of the lakes. Am I right in suggesting that it was purely from a standpoint of a financial matter, as an investment by the pool and not a matter of financial loss or otherwise to the government?—A. Well, I think both are involved. We understood on the basis of the minister's statement that this storage space must be built somewhere and we very much preferred it to be built at the head of the lakes, and we offered to do this job for the government rather than have the space built down in eastern Canada. The reason was this, it involves the second agreement I made reference to, the agreement between the different elevator companies. When the time comes we want to say when those annexes shall be demolished, and if they were built in eastern Canada we could not control that.

By Mr. Ross (Souris):

Q. Would the witness give us a breakdown on the $4\frac{1}{2}$ cent service charge; just what does that cover?—A. On street wheat there is a 4 cent spread, on carload lots there is $1\frac{3}{4}$ cents plus a cent, that is $2\frac{3}{4}$ cents. Then there is the freight on dockage, \$2, weighing and inspection, and I think on the basis of different classifications of dockage you can get figures as high as $3\frac{1}{2}$ cents. When you get to 5 per cent dockage that figure will amount to about 4 cents or a fraction.

Q. What do you mean by inspection of the car?—A. Two dollars weighing and inspection.

Q. Which the elevator pays?—A. The individual farmer pays for his own if he ships it by carload lot in class A; the elevator companies must pay on class B.

Mr. PERLEY: And charge it back to the farmers.

By Mr. Clark:

Q. Mr. Wesson mentioned eastern Canada in his address yesterday. I would not say that he threatened eastern Canada, but he made the very strong suggestion that eastern Canada should cooperate—A. I will not say that.

Q. He mentioned that, perhaps, they would be put out of business in regard to the production of semi-perishable products in western Canada. Would he enumerate those things he had in mind?—A. I made the statement yesterday in connection with the future of western Canada if the wheat economy was not saved. I said that even in self-defence those 300,000 farmers and their dependents would not sit twiddling their thumbs; they would start to produce more and more of those perishable and semi-perishable commodities which would immediately compete with the cash crop of Ontario and eastern Canada. Do you want me to enumerate them? Hogs, more live stock, more dairy products, cheese and butter; these are the things that our people in very self-defence would continue to produce.

Q. Mr. Chairman, I would just like to ask the gentleman another question: Do I understand that in the discussion of this problem in western Canada—that you had the backing of the eastern agriculturists in your demands?—A. Yes, sir.

Q. If that is correct, can you tell me who it is supports you?—A. Yes. The Canadian Federation of Agriculture, which represents all farm organiza-

tions from Halifax to Vancouver, and they have a membership of 350,000. Our policy, that is the policy presented by the delegation, was all accepted by the Canadian Federation of Agriculture and presented to the ministers—the Prime Minister and the government—just an hour before the delegation met at the Chateau Laurier. It involved these features that have been presented.

By Mr. McCubbin:

Q. Does that include the 300,000 western farmers?—A. I do not think I have made that clear. We estimate that in all the affiliated organizations from Halifax to Vancouver comprising the Canadian Federation of Agriculture there are a minimum of 350,000 farmers, in all the different organizations. Is that clear—eastern and western?

By Mr. Diefenbaker:

Q. In connection with this storage matter there are two or three questions which I wanted to ask: does your company rent any terminal elevator, or any other type of elevator from the dominion government?—A. Yes, sir, we do. We at present—we rent a terminal from the Canadian National—that is the one known as No. 6.

Q. And that is located at?—A. Port Arthur.

Q. What is the annual rent?—A. I am not certain that I can answer that off-hand. I am sorry. I know they reduced it for us in 1937. I do not know what the figure is. It is supposed to be based on 6 per cent interest on the investment. As I understand it they place a value on their elevator system and they rent it at 6 per cent of that value, whatever it is.

Q. What is the capacity of that elevator?—A. It is between 6,000,000 and 7,000,000 bushels.

Q. Whose wheat is stored there?—A. Well, wheat board wheat and our own that we have purchased ourselves—coarse grains, etc.

Q. Of this 6,000,000 to 7,000,000 bushels how much is wheat board wheat?—A. I do not know that I can answer that question.

Q. I understand that it is almost all wheat board wheat?—A. Yes, I think that is true.

Q. And the wheat board pays you how much per day per bushel?—A. A forty-fifth of a cent per bushel per day.

Q. One-forty-fifth of a cent per bushel per day, that is the regular storage rate?—A. Yes.

Q. Could you tell us what your expenses are in operating this elevator?—A. I could not, sir.

Q. Would you be able to furnish the committee with that information?—A. Yes, I think I could.

Q. Has that elevator been filled—pretty well filled to capacity—since the outbreak of the war?—A. No, because grain moves in and out all the time except during the winter months.

Q. During the last year is it not a fact that your entire capacity has been pretty well taken up throughout the year?—A. I would only go so far as to say that it was probably used to about 80 per cent of its capacity.

Q. Could you say that this elevator which you rent from the government and use mainly for storage was occupied to the extent of 80 per cent?—A. I think that would be a fair statement.

By Mr. Donnelly:

Q. In your agreement for the running of this elevator which you say was entered into in 1937; how long was it for?—A. I beg your pardon?

Q. In 1937 you say there was a new agreement; is it leased from year to year, or does the lease run for a period of years?—A. As a matter of fact during 1937 because of the terrible loss in the grain business that year the rate was reduced, but for that one year only.

Q. Does the lease run from year to year or for a period of years?—A. I think it is for a period of years. Mr. Milliken tells me that it is for a period of years. He also tells me that the rate is 4 per cent, not 6 per cent.

By Mr. McCubbin:

Q. Following up the question asked by Mr. Clark a little while ago, I understand that you stated that representatives of eastern agriculture stood behind the statement which you submitted to us yesterday; am I to assume from that that the views which you presented to the government as coming from your farmers was agreed to by the Canadian Federation of Agriculture?—A. The brief which we presented, Mr. Chairman, was based and drafted on a petition which bore the signatures of some 185,000 people. The principles of that petition were accepted by the Canadian Federation of Agriculture and it became part of their presentation to the government. I think that is available in the statement I made—I have not a copy of it here—I think it was made very definite; they recommended that the initial price to be paid by the wheat board for the coming year should be \$1.00 a bushel. That is very definitely in the federation's statement.

By Mr. Wright:

Q. What rate of interest is being paid you by the government for the money which you have invested in wheat; or, do you buy it only to turn it over to the board?—A. I do not know as I get you?

Q. When you turn the wheat over to the board they pay interest on the money which you have used in the purchase of it; in paying you for that wheat what rate of interest do you charge?—A. I get you: the storage, and including the interest, being the carrying charge—whatever the rate is we pay the bankers. I do not think you should ask me that question.

Q. Would it be a fair question to ask you how much you pay the banks?—A. I do not think I should answer that question here.

By Mr. Diefenbaker:

Q. Mr. Wesson, take, for example, this terminal elevator at Port Arthur. If it is occupied to the extent of 80 per cent of its capacity, it would be occupied to the extent of 5,600,000 bushels; at the rate of 8 cents a year that would be \$448,000, which would be the amount paid to you by the wheat board each year?—A. Yes, it would.

Q. All right. What would you say the valuation of this elevator would be?—A. I do not know. I am sorry I have not got this information with me. I am merely speaking from memory in answering all these questions, Mr. Chairman.

Q. What I am trying to get at is this. What is the justification for this elevator being turned over to a private corporation, with the government paying storage on its own wheat? What is the reason for that? It happened to all companies, I know.—A. I think the answer to that question, generally speaking—and leaving the present glut of wheat out of the picture—is that no terminal elevator can be operated successfully unless it has feeders in the country. It paid the C.N.R. to rent that terminal to the pool or somebody else rather than take a chance of getting no grain at all in some years. Naturally we operate

other terminals besides number 6. In ordinary years, if the government operated that terminal themselves, we certainly would not divert one single bushel to that terminal as long as we had space of our own. In most years they would not get a bushel.

Q. The situation now is that there is not sufficient storage space in Canada and extra storage space had to be built during the last two years?—A. Yes.

Q. You told us that. While your aggregate may have been all right when there were small crops and storage space was not necessary, has it not changed in the last two years? Has not that position of affairs changed? All the storage space is used to-day, is it not?—A. The only answer I can make is that the C.N.R. have not offered to take it back from us. They are satisfied with the rental.

Mr. DONNELLY: It is after 1 o'clock. I move that we adjourn.

The WITNESS: This thing has come up before and there is no reason why it should be a secret in this committee. At the end of July, 1941—that is the 1940 year—we had earned our gross operating revenue in terminal number 6 of \$886,000. Our operating expenses were \$460,000. Our operating earnings were \$425,000 with depreciation of 7 per cent on machinery which we owned in their elevator, leaving a net earning of \$417,000.

By Mr. Diefenbaker:

Q. Could you also give one more figure? Could you tell us how much you paid to the government for rentals?—A. Well, I do not know.

Q. If you have not got the figure, it is all right. You rented a government elevator?—A. Yes.

Q. And stored mainly government wheat, the people's wheat. That is right?—A. Yes.

Q. And you made a net, after all deductions, of \$420,000?—A. Yes. That is one year only. We operated a number of years where we made a loss.

The CHAIRMAN: Members of the committee have pointed out that it is after 1 o'clock. Before we adjourn, I should like the opinion of the members as to our next meeting, and this will be off the record.

After discussion, the committee adjourned at 1.15 p.m. to meet again on Thursday, March 26, at 11 a.m.

CAI
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MARCH 26, 1942

Reference—Bill No. 13

An Act to amend The Canadian Wheat Board Act, 1935

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



REPORT TO THE HOUSE

THURSDAY, March 26, 1942.

The Standing Committee on Agriculture and Colonization begs leave to present the following as its

FOURTH REPORT

Your Committee has considered Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935, and has agreed to report the said Bill without amendments.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 26, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Davidson, Dechene, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Henderson, Leader, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Matthews, Mullins, Nielsen (Mrs.), Perley, Poirier, Rennie, Rheaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Sylvestre, Ward, Weir, Wright, Lafontaine.—40.

In attendance: Hon. Mr. MacKinnon, Minister of Trade and Commerce; Mr. George McIvor, Chairman, Canadian Wheat Board; Mr. Clive Davidson, Statistician, Canadian Wheat Board; and Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

The Chairman presented the Report of the subcommittee and its recommendations in regard to procedure for the main Committee which were as follows:

1. A new Order of Reference to be asked for.
2. Bill No. 13 to be considered and reported to the House.
3. That the Committee adjourn until a date not earlier than the week of April 27, when the examination of Mr. Wesson and Mr. McIvor could be continued.
4. That members of the Committee should specify the information desired and the witnesses they want.

The Chairman read a telegram from Mr. J. H. Wesson regretting that he had to return home unexpectedly but would be available when the Committee reconvened after the Easter adjournment.

Discussion took place on the recommendations of the subcommittee. Numbers 2, 3 and 4 carried.

On motion of Mr. Donnelly, recommendation No. 1 was allowed to stand until the Committee had considered Bill No. 13. Carried.

The Committee proceeded to the further consideration of Bill No. 13, Clause 1, subsection E.

Mr. Leader moved that the words "*ninety cents*" in lines 16 and 17 be deleted and the words "*one dollar*" inserted instead.

The Chairman ruled the motion out of order on the ground that the Committee had not the power to increase the financial commitment in the Bill.

Clause 1, subsection E, carried.

Subsection (1), carried.

Clause (2), carried.

Preamble, carried; title carried.

Ordered,—That Bill No. 13 be reported to the House without amendment.

The Committee returned to the consideration of Recommendation No. 1 of the subcommittee, viz., the terms of the new Order of Reference as suggested:—

That the Annual Reports of the Canadian Wheat Board tabled in the House of Commons for the Crop Years, 1939-40 and 1940-41, be referred to the Standing Committee on Agriculture and Colonization;

with the power to inquire into any matters contained therein, and to print, from day to day, 500 copies in English and 200 copies in French of the evidence presented to it.

Mr. Douglas (*Weyburn*) moved in amendment,—That after the word *therein* in line 6, the following words be inserted: “and to review the operations of the Canadian Wheat Board to December 31, 1941.”

A recorded vote being called for the ayes and nays were taken down as follows:

For the amendment,—*Yeas*: Messrs. Cardiff, Douglas (*Weyburn*), Perley, Ross (*Souris*), Wright.—5.

Against the amendment,—*Nays*: Messrs. Clark, Davidson, Dechene, Donnelly, Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Henderson, Lafontaine, Leader, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Mullins, Rennie, Rickard, Ward.—24. Motion negatived.

Discussion was resumed on the new Order of Reference the Committee desired from the House and the Minister of Trade and Commerce, Hon. Mr. MacKinnon agreed to move the following motion in the House recommending,—

That the Reports of the Canadian Wheat Board tabled in the House of Commons for the Crop Years 1939-40, and 1940-41, be referred to the Standing Committee on Agriculture and Colonization; that authority be granted to print, from day to day, 500 copies in English and 200 copies in French of minutes of proceedings and evidence to be taken by the said Committee on the said Reports; and that Standing Order 64 be suspended in relation thereto.

The Committee then adjourned to meet again at the call of the Chair.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277

March 26, 1942.

The Standing Committee on Agriculture and Colonization met at 11 o'clock. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, will you kindly come to order. I might say that your sub-committee met yesterday, with all its members present. I was able to advise the sub-committee that the Minister of Trade and Commerce was prepared to ask the House of Commons for a new order of reference whereby any future inquiry considered necessary by this committee into the operations of the Canadian Wheat Board might be continued. Following that, the sub-committee agreed to recommend that consideration be given at this morning's meeting to:

1. The terms of the new order of reference to be recommended.
2. That an attempt be made to dispose of Bill 13 and report it to the house.
3. That the committee should adjourn until not earlier than the week of April 27, when a further examination of the two witnesses who have already appeared before the committee might be continued.
4. That any members of the committee desiring specific information or the appearance of particular witnesses should advise the committee of the information they desire and name the particular witnesses they wish to have called.

Mr. PERLEY: I did not understand that as final. I thought that would develop out of the inquiry after it started.

The CHAIRMAN: My definite recollection is that the committee, in order to proceed, was most anxious to know what information was required so that these witnesses could be advised to be here as early as possible.

Mr. PERLEY: I think you will recall that, when that was discussed, I suggested that we would certainly have to have the treasurer and would want certain information in respect to the financial operations of the board; and that no one knows whom we might have to call until we get into the inquiry. But it was understood we would have a financial statement—the treasurer, for instance, and any man that Mr. McIvor might care to bring with him, as a member of the board, if he had anything to do with the operation of the board; as to any other witnesses to be called, that would be a matter to be decided according to what took place. But it was agreed that we would have the treasurer.

The CHAIRMAN: You will also recall that Mr. McIvor urged that if there were any information which the committee wanted to have from his controller, he would like to know what that information was so that the man could be advised of the records and other documents it would be necessary to bring before the committee. That was the whole point, to try to get at some specific matter that the committee might wish to deal with.

Mr. PERLEY: I think it was understood, more or less on a general line, that the information desired was that asked for by the leader of the opposition and myself at different times. As to the naming of any particular witness, we cannot tell whom it might be necessary to call until we get further into the inquiry, questioning Mr. McIvor, and it would depend on what may come out then. However, let us deal with the first part of that.

Mr. Ross (*Souris*): It is not suggested, is it, that if, for instance, when the treasurer of the board gives his report there is some point we wish them to clear up, we could not call some interested parties in connection with that report at a later time? We are not to specify now whom we are going to call and be limited to that, are we?

The CHAIRMAN: I do think there is some justification for urging that we know whom we wish to have called. It has got to be done some time. I think there is also a good deal of justification for outlining specifically the information that is required and which the committee wishes to have brought before it. I leave it to the committee to decide or to recommend what procedure should be adopted. I am just thinking of the conduct of the committee, with a view to getting on with any inquiry in a regular way.

Mr. PERLEY: Mr. Chairman, my understanding yesterday was in accord with the first thing you said, that the minister wanted to get the bill cleared up right away before Easter. I said, "That is fine, on the understanding that if we pass the bill to-day and it is reported to the house, there will be an undertaking given by the minister that we will start after Easter right where we left off on, say, Tuesday." That was all that I thought it was agreed would be recommended, that we would start to-day with the bill, but first having a statement from the minister, before the committee even deals with the bill. My understanding was that if we allow the bill to go forward to-day, the minister would give us a statement to be recorded on the minutes of proceedings here, and when we come back after Easter we will start in with Mr. McIvor and Mr. Wesson and proceed from where we left off on Tuesday. So far as another order of reference is concerned, that is a matter which will have to be discussed further. The minister may give us a statement now as to how he proposes to proceed after Easter when we come back. He can outline just what he proposes and if he desires to have a new order of reference, let us know what it is. I do not think that was discussed yesterday. I think it was the understanding that we should start where we left off on Tuesday.

The CHAIRMAN: My understanding definitely was that the committee would want to know what the new order of reference would be before they would allow this bill to go through; and I think that would be only natural.

Mr. WRIGHT: I think we have got to know what the new order of reference is before we allow this bill to go through; otherwise we tie our hands completely in the matter.

Mr. PERLEY: That is what I am trying to indicate, that the minister should make a statement now on the new order of reference before we proceed with this bill.

The CHAIRMAN: Yes. That is all right. May I just say a word or two before we get to that stage. I have before me a telegram received from Mr. J. H. Wesson last night. It is as follows:—

Regret important business made it impossible to remain in Ottawa
Stop If committee desire will attend for further examination any
convenient date after Easter at no expense to Government Stop
Regarding Canadian National Terminal pool has leased this elevator
continuously over long period years always for five year rental term.

I take it from that, gentlemen, that Mr. Wesson is willing to come back before this committee at any time it may wish to have him.

With respect to the order of reference, I may say that I gave it a little consideration and drafted wording which I thought would probably meet the wishes of the committee. I thought perhaps something along this line might meet with their approval:

That the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, be referred to the standing committee on Agriculture and Colonization, with power to inquire into any matter contained therein, with power to send for persons, papers and records and to report to the house from time to time their findings thereon, and to print from day to day five hundred copies in English and two hundred copies in French of the evidence presented to it.

I think that opens the matter wide and fulfils entirely the request made by Mr. Douglas and Mr. Diefenbaker when they spoke in this committee a few days ago.

Mr. PERLEY: Mr. Chairman, may I say here that the order of reference would just be this report. Is that so?

The CHAIRMAN: That is the way I have drafted it.

Mr. PERLEY: If you will enlarge that to include further the term from the 31st of July, 1941, which I think is the date of this report, to date, I think that would be satisfactory.

Mr. DONNELLY: You mean to take in the different annual reports?

Mr. PERLEY: This one, further, to date.

Hon. Mr. MACKINNON: It cannot be done.

Mr. DONNELLY: You cannot get it up to date.

Mr. WRIGHT: I think that besides the 1940-41 report we should also have the 1939-40 report. They both tie in with one another, and I do not think we can very well have a complete picture of the thing unless we have the two reports included in the terms of reference.

The CHAIRMAN: I have no objection to that, and I do not think the government has. But I do not think we can go as far as trying to bring things up-to-date. We have got to cut off somewhere.

Mr. DONNELLY: It has never been the habit in these committees to inquire up-to-date, either under Mr. Bennett or under the Liberal government when the investigations were held in 1935 and 1936. In neither one of those cases was it done. The board objected to giving evidence within about six months. They said it would influence and prejudice their transactions which were taking place on the exchange and they asked to be excused from giving that information. The committee agreed with them and we did not press to have any up-to-date information. I think the same thing should apply in this committee.

Mr. PERLEY: That is not correct, because in 1935 we had it almost up-to-date. In fact, we met around the 1st of July. We had evidence with respect to purchases in June of that year.

The CHAIRMAN: As I recall it, those matters had to do with the stabilization operations and not the operations of the Canadian Wheat Board. I am bound to say there is a distinction which should be made. However, at this stage may I ask the minister for a statement. I think it is merely to give the committee added assurance as to the attitude of the government with respect to further carrying on this inquiry. Shall we have a word from the minister?

Some hon. MEMBERS: Carried.

Hon. Mr. MACKINNON: Mr. Chairman, Mr. Perley a few minutes ago referred to the fact that we were most anxious to have this bill reported back from this committee. I am quite sure that he and I have the same attitude towards that particular point; but I want to stress this, that in so far as I am concerned I have not the slightest interest in unduly hastening the passing of this bill. The only reason I have heard it suggested that the bill be expedited is because of the reason suggested by Mr. McIvor, that it would be advisable to get this bill reported as early as possible in the interests of the farmers of western Canada so that they may be able to make their plans for

sowing for the current year; and so that the operations necessary to preliminary arrangements that have to be made can be made by him and the wheat board. That was the reason for urging that we proceed with this bill at the earliest possible time.

Mr. McIvor stated on Tuesday that failure to report Bill No. 13 before the recess would seriously affect the operations of the Canadian Wheat Board. The present reference to the committee is actually only on the bill itself. I readily agreed, however, that reasonable latitude should be given the committee in investigating the operations of the wheat board and the Board of Grain Commissioners. I quite realize that after the bill is reported the committee have nothing on which to continue the desired investigation.

I am prepared, however, to recommend—and I believe I can assure the committee that my recommendation will be accepted—that this reference to this committee be continued along the lines as suggested by Mr. Diefenbaker and Mr. Douglas.

In his evidence in the earlier proceedings of this committee Mr. McIvor pointed out that if the remarks of Mr. Hanson were not intended as definite charges, they had certainly been interpreted as such by the press, and for this reason, I should do everything possible to facilitate examination of members of the Canadian Wheat Board and the Board of Grain Commissioners and other persons that in the opinion of your committee should be heard.

I would, therefore, Mr. Chairman, ask that this committee report the bill and in your report request that this reference be extended to carry out the wishes of the committee as they have been here expressed.

Mr. PERLEY: Mr. Chairman, with respect to this matter of including the last six months in our reference; again I do not agree with Dr. Donnelly because in the 1936 inquiry we certainly inquired into the operations of the board all through the month of December.

Mr. DONNELLY: That was not the evidence here.

Mr. PERLEY: Well, the last three months—the whole thing is such that within the last six months the whole picture has changed. We have had these annexes built, most of them even since the 1941 crop—some of them for the 1940 crop—but the 1941 crop certainly was storage, most of it. That is why I think we should have some little further data than July 31, 1941, that is only the 1940 grain. It is with respect to the 1941 crop that I think we should have the order of reference enlarged. We should inquire into that; and, what is the objection to bringing it up-to-date? We want the amended order to include the 1941 crop. As long as we are inquiring into this matter what is the objection to bringing it from the 31st of July last year up-to-date?

Mr. McNEVIN: Speaking to the reference, I have one or two observations I wish to make: I do not think in the consideration of any large business or corporation that you can expect to get a clear picture or to go into matters thoroughly until that year's operations have been closed. And I fully support that viewpoint. Now, with respect to the insinuations, or, as Mr. McIvor has stated, the charges made by Mr. Hanson, my opinion is this: this is war time and I am not prepared to support an expenditure of a large sum of money for any such purpose. I might say this further, that if Mr. Hanson made these charges, as he did on the floor of the House of Commons, I think he should come to this committee and he should have the information himself either to substantiate these charges, or withdraw them. I am not prepared to support a large expenditure of public funds at the present time for any other purpose.

Mr. DONNELLY: Mr. Chairman, I would like to make myself clear. I had thought I had done so in the steering committee. It was my opinion at that time, following what Mr. McNevin has said, that we should be ready and willing to bring here any government official, we should bring down any member of the wheat board or any member of the Board of Grain Commissioners or any other

person—like Mr. Hetherington, who is handling our internal storage—and that this committee should pay the expenses of any of our officials brought here, they should be brought here at the government expense; but I do not think the committee should bring any person or group of persons here at its expense who are appearing in a private capacity; I think they should come at their own expense. I have said, and I also said in the steering committee, that in my opinion Mr. Hanson should be called, and we should ask him to attend; and if he does not attend we should summons him and make him attend. If he makes charges (and Mr. McIvor has told us that the press consider them in that light), if he has made these charges, and I call them charges, then I think he should be ready and willing to come here and give his reasons for making them.

Mr. PERLEY: Last year, owing to wheat acreage reduction bonus the whole system of delivering the crop in western Canada was changed. It is now under the quota system. And I think one of the results of that particular system is that a lot of wheat was forced into the "B" class that never would have been put there. The right of the farmer to ship grain on his own account was taken away; because the man has only a 1,200-bushel crop (that is a carload lot) under the quota system he can only deliver five bushels to the acre. He has been forced into that situation. I am just citing that to show that the 1941 crop was a different crop both from the standpoint of handling and finance, and the operations of the board changed more or less with respect to that crop; and, unless we can get some information from Mr. McIvor—if he is willing to be examined—up to date I do not see how we are going to be able to plan for the marketing of our crop this year. And that difficulty not only applies to the crop this year, but to last year's crop also.

Mr. DONNELLY: We marketed the crop the year before last under the quota system; not only this year, last year too.

Mr. PERLEY: Under the quota system?

Mr. DONNELLY: Yes.

Mr. PERLEY: In each of those years?

Mr. DONNELLY: We have had two years under the quota system.

Hon. Mr. MacKINNON: Yes, that is right.

Mr. WRIGHT: I think the main point is this: our method of handling the crop this year is going to be considerably changed owing to the fact that the exchange is more or less not operating—

An Hon. MEMBER: Just now.

Mr. WRIGHT: —yes, just now. I would suggest that we cannot go fully into the 1941-42 crop, but I think we should be able to get some information as to the methods whereby the 1942 crop is to be handled; and if the terms of our reference deal with just these two reports we would not be able to get that information.

Mr. GOLDING: Mr. Chairman, I think there is a great deal of merit in the statement made by Mr. McNevin. It is so easy to get up in the house and throw out these insinuations that are interpreted by the press, as Mr. McIvor has pointed out, as charges. As I said before, I think there is a great deal of merit in Mr. McNevin's suggestion. Having made these statements in the house I think Mr. Hanson should be called before this committee; and he should know, he should have these facts, and he should have had this information before he got up in the house—or anybody else for that matter—and made statements like these; and I thoroughly agree with the idea suggested of bringing Mr. Hanson before this committee. I endorse entirely the viewpoint that he should bring the facts with him on which he based these allegations and present them to the committee. I also am in agreement with the idea that this com-

mittee should not go into anything at all that is going to involve large expenditures of money. The money that has been spent in investigating the handling of grain since the first of this century is to my mind ridiculous, and I do not know what use would be served by holding another inquiry which would cost \$141,000, as was the case in 1936. I do not know what use is being made of the evidence submitted from about 260 witnesses in that last inquiry. We are faced with this situation, that just because somebody gets up in the house and makes certain allegations then we are involved in another large expenditure of money. I think that the wheat board, these people against whom the actual charges have been made, should come here and give us their evidence; and then, if Mr. Hanson has information contrary to that he should come here and present that as evidence.

Mr. CHAIRMAN: May I point out this, that if these charges that have been made by Mr. Hanson and others involve the handling of this year's crop, then I would presume that apart from just presenting possibly official statements it might be necessary to consider the handling of this year's crop in order to get information with regard to these particular charges.

Mr. Ross (*Souris*): I think that is very important, that complaint right there. I do not think that we could possibly investigate this whole thing without referring to this year's business; particularly in view of the statements which we have heard here this morning. I do not know how we can get to the bottom of it without investigating this year's business, or the handling of the 1941 crop. I think that is very important. I agree with some of the other speakers that we do not want to spend a lot of money on this investigation. I do take issue with Dr. Donnelly and some of these other people that if, for instance, we investigate the officials of the wheat board, and there are certain transactions which make it necessary for the committee to hear evidence in reply to straighten out the details of transactions between them and the wheat board, say, I do not agree that they should be called here at their own expense. I do not think there will be any large number of them. If they are called here in connection with these transactions of the wheat board which we are to investigate, and we are going to need them if this investigation is to go as far as we would like to have it go, I do not think they should be required to pay their own expenses.

The CHAIRMAN: Mr. McIvor would like to say a word or two.

Mr. DONNELLY: I just want to draw the attention of the committee to what took place in 1936 before the Special Committee on the Marketing of Wheat and Other Grains—I am reading from the Minutes of Proceedings and Evidence No. 1 of that committee—Mr. Murray is on the stand and he has been asked a certain question (to bring it up to date) and he says:—

Rt. Hon. Mr. Bennett:

I would not narrow it down to the public interest. I think if Mr. Murray says, in my opinion it will prejudice my position in connection with the duties devolving upon me under the Act, we ought to go carefully before we ask any further questions. I think it goes a little further than the question of the public interest. His job is a very responsible one, and I would hesitate, at least, a long time before I would ask any question that in his opinion lessens his ability to discharge that responsibility.

And there was some discussion back and forth and then Mr. Murray says:—

I myself think that Mr. McFarland was sound in the attitude he took in so far as giving information right up to date was concerned.

This was in 1935 when Mr. McFarland was brought before the committee the year before that committee sat, and the matter before us was the handling of wheat at that time.

To give a few months back is a different thing. All the protection we want, I would say, is a back log of three months, and let the trade and the world over do their guessing as to what we have done in the past three months;

And he goes on with regard to that. It was agreed to; and Mr. Bennett and the others agreed to the very same thing. So I say the same thing should apply here; that there should be a certain leeway, that we should not bring it up to date and prejudice our men who are handling our wheat at the present time.

Mr. Ross (*Souris*): Why not agree on that and take only the first six months of the 1941 crop. That will give you an idea as to the conduct of the business for the first six months of your present year—of the 1941 crop.

The CHAIRMAN: Would the committee care to have a word of explanation on this point from Mr. McIvor?

Mr. McIVOR: Mr. Chairman, Mr. Minister and gentlemen: I want to make it perfectly clear at the outset that as far as I am personally concerned you can bring this information up to to-morrow, if you want to. In other words, we have nothing to hide in regard to our operations. But I want to say also to this committee that that kind of thing requires stopping the work of the board while this information is gotten together by a group of auditors; there is no question about that, you have got to put men in to get out this information and bring it up to date. And, further, I want to say this: that if the committee insists on this information being submitted up to date the committee in all fairness should assume the responsibility for what effect it might have on the operations of the board. I think that is only fair. In other words, you cannot give information on a big business like the wheat board to a committee such as this without giving it to the world, and I do not think it is fair. I think Mr. Bennett and Mr. Murray stated quite frankly that it was not fair to a big business like the board to ask that this information be given completely up to date. And now, I just want to recall this to the committee: Mr. Perley complained last year that the minister did not have the proper information, the facts and so on, that he wanted to get. The facts are that so far as we are concerned we have given the information up to the 31st day of July, 1941, in complete detail; and so far I do not know of any questions that have been asked in regard to which information has not been fully given. There may be some, but I have not seen them; at least, so far as our board is concerned.

Mr. PERLEY: I asked for certain information from the minister and he said that it was not in the public interest to give it. He did that on at least three occasions.

Hon. Mr. MACKINNON: That was just in respect to price.

Mr. PERLEY: I just wanted to correct his statement to that extent.

Mr. McIVOR: As far as our board is concerned there is no reason why we should not give this information other than these two points: 1. The difficulty of getting the information together, the cutting off of the books of a big organization in the middle of the year; and, 2, the effect or harm that information may do the board. Apart from that, Mr. Chairman, I have nothing more to say on the subject.

By Mr. Perley:

Q. Just before you sit down, Mr. McIvor, is it not true that you have an auditor's statement every week? Your books are audited right up to date?—A. Yes.

Q. So there would be no difficulty there. Then take the item of Exhibit A, liability to your agents. Could not that information be brought up to date? You must have them in your auditor's statement.—A. Any information can

be brought up to date, Mr. Chairman, but I am just saying to you—and I think Mr. Murray put it very clearly—if you demand this information up to date the responsibility is the committee's. Of necessity we will have to give it to the committee if the committee demands it; but I say this, that the responsibility is the committee's and the responsibility of what effects it might have is also the committee's. I think that is a fair statement.

The CHAIRMAN: The whole point is whether it is desirable to do so.

Mr. WARD: I think this might be said fairly: In the first place the honour of the officials of the Wheat Board is at stake to-day. They have to defend it. In the second place here is the largest grain handling concern in the world doing the business of nearly 50 per cent of all the farmers in Western Canada. The prestige and standing of that concern is also at stake. I am concerned as to whether I am going to have confidence in the Wheat Board and the wheat pools and whether they are going to handle my grain efficiently and honestly. I think it should be left with the officials of the Wheat Board to give us all the information that is necessary as near the present date as possible in order to satisfy this committee and in order that their honour may be protected and vindicated and to see that the position of the Wheat Board and the wheat pools is properly defended. I think that can be taken for granted and I think we should pretty well leave the matter there.

Mr. BLAIR: I think we would be well advised to have Mr. Hanson come here, and I would not be surprised if he would like to do that. He might reveal something we should know. If there is anything in the Wheat Board that should be exposed perhaps it might be well that we should know it. There might be things we should investigate, and perhaps Mr. Hanson might open up new avenues for us. No doubt he has some ideas that we should hear about and I think we would be well advised to call him to this meeting.

Mr. DOUGLAS (*Weyburn*): May I ask Mr. McIvor a question?

The CHAIRMAN: Yes.

By Mr. Douglas:

Q. How close to the present time can you give us information, Mr. McIvor, about the operations of the Wheat Board without endangering the business transactions of the Wheat Board?—A. Mr. Douglas, I just want to make it clear that there are a great many things in regard to the operations of the Wheat Board that I will cheerfully give up to date, things in which the committee would be interested. There are other matters, for example, the position of the Wheat Board, the amount of wheat they have on hand, the sales to the British Government and so on that I should not like to give. The British Government have asked us not to disclose that information to the committee. Mr. Perley said he could not get the information. The reason he cannot get it is the British Government have asked us not to disclose it. There is no other reason. I am quite willing to give the information apart from that, and I am sure the minister is. Just within recent months—I do not know the date—the British Government again said to this government, on this government's request, or at least Mr. MacKinnon instructed me to direct a cable to them asking if this information could be given to the house, and again they said for reasons best known to themselves they did not want this information given. Now, that is the position. How can you depart from that situation? As far as the records of the board are concerned the only point is this, it depends entirely on how wide you want to investigate the records of the board. As Mr. Perley said, there is a weekly audit of the board. As far as I am concerned I would say if that auditor's report were made available to the committee say up to the 31st of December, it would be quite satisfactory to me. But if it is the desire to go beyond the figures that are contained in the auditor's report then it means we

must put a group of auditors to work to get that information and it means that—we have only one set of books after all, as any organization—you have got to stop work on those books in many cases until the information is obtained. I want the committee to know as far as we are concerned the only concern that we have is the effect that the giving of information up to date would have on the board, and when it has an effect on the board it has a similar effect on the farmers of the country who deliver their wheat to the board and on the country itself. That is why I want to point out it is the responsibility of the committee as I see it, Mr. Douglas.

By Mr. Ross (Souris):

Q. That confidential information as between Great Britain and ourselves in the sale of wheat might affect the 1940 crop as well as the present year?—

A. Yes. I would say this, Mr. Ross, that we are simply in the position where we cannot give any information on any of the sales to the British Government.

Q. Have you any objection then to the term of reference including the 1939-1940 crop and the first six months of the 1941 crop, that is, your present year's business, which gives you a backlog of three months from the time we got started?

Hon. Mr. MacKINNON: Six months takes us up to the end of January.

Mr. ROSS (*Souris*): Yes.

The CHAIRMAN: Gentlemen, can we come back to this later? We neglected to have the minutes of our last meeting read.

Mr. PERLEY: I think we had better settle this.

The CHAIRMAN: We will come back to it.

Minutes of last meeting read and confirmed.

The CHAIRMAN: Now we will come back to the question of procedure. Is the committee prepared to adopt the recommendation of the steering committee as to procedure for to-day?

Mr. PERLEY: What part, the whole?

The CHAIRMAN: We will drop out the last section if you like.

Report adopted with the deletion of the last section.

Mr. PERLEY: I understand then there is no limit to the inquiry?

The CHAIRMAN: We will come to the reference now. We now open up the matter of the order of reference for the continuation of this committee.

Mr. DONNELLY: I move that the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, be referred to the Standing Committee on Agriculture and Colonization with power to inquire into any matters contained therein, with the power to send for persons, papers and records and to report to the house from time to time their findings thereon and to print from day to day 500 copies in English and 200 copies in French of evidence presented to it.

Mr. PERLEY: I think the limit should be up to date practically. This report refers to the sale of 120 millions of wheat in November and so on, which certainly will run in on the '41 crop and run on into May. No doubt your hedging was in May and July transferred from November and December option of the 1940 crop. We have the auditor's statement. The auditor's statement is tabled with the minister every week end. I cannot see that there is anything wrong or there would be any information given to the public that would be detrimental in any way. Now, as far as the British Government is concerned and their request not to disclose information, I think it is due to the public to know where they stand. I believe the board is working in a dual capacity. I suggest Mr. McIlvor answer that now. I should like to have more proof than a verbal statement from anybody that the British Government has asked

that certain information be not given or that the Grain Exchange remain open and all that sort of thing. We have never yet been informed that it is authentic. I do not see any reason why we should not be given information up to date.

Mr. McCUAIG: We are here to get all the information we can, but at the same time I think we ought to appreciate the fact that in getting that information we should be guided by what information the minister and Mr. McIvor, the chairman of the Wheat Board, feel that we should receive. If it is not in the interest of the board and not in the interest of this country that information should be given us then it is for us as members of this committee not to ask for and seek that information. For my part I am going to be guided largely by what the minister and Mr. McIvor say.

The CHAIRMAN: Have you anything to say to that, Mr. McIvor?

The WITNESS: Mr. Chairman, as I understand it, Mr. Perley objects to the fact that he will not have the prices of the sales to the British Government. I do not know why he should persist in that because we have made an agreement and have been asked by the British Government not to disclose those prices. Then Mr. Perley suggests in connection with another phase of the problem that this government or this Wheat Board should make available the prices of those sales to the British Government. I think it is impossible.

Mr. FAIR: Mr. Chairman, if I have a proper grasp of this subject, the main reason for this investigation is to delve into the way the Wheat Board has done business. I believe this can be very well accomplished without coming right up to date on all questions. For instance, the wheat that is being held at the present time by the Wheat Board and held on the farm and all that kind of thing—it is not necessary to delve into all that to satisfy the charges that have been made by Mr. Hanson. I am not in agreement that we should not know what is being paid by the British Government or what our wheat is being sold for. After all, contrary to what Mr. Golding said a few minutes ago, these investigations are being held because people believe that we are not getting justice in the price we are receiving for our wheat. It is not my purpose to uphold every thing that is being done in connection with the sale of wheat. I do not believe that the country should be penalized by paying for investigations unless there is some foundation for them. I believe in the past in the sale of western Canadian wheat and perhaps eastern Canadian wheat as well, there has been reason for a whole lot of suspicion and to me a lot of it is not cleared up yet. I am not, of course, saying that the wheat board has anything to do with this, but on the practices that have been in effect with regard to information concerning the sales of western wheat an investigation should have been held and more fruitful benefits derived than has been the case in the past.

Mr. DONNELLY: You do not mean to say that the annual reports are not correct or that the report of our auditors is not correct?

Mr. FAIR: Not at all. Before the wheat board came into existence the same practices that have been carried on by some of the wheat trade, I say, still should bear investigation and some of those practices should be corrected. I am not, as I said before, pointing a finger at the wheat board, but if there is something suspicious about anything I think it should be investigated. I am not saying for one moment that the wheat board dealings are not all right.

Mr. DONNELLY: The same charges made by Mr. Hanson were made with regard to Mr. Macfarlane and were investigated by a committee here, and the same charges were made with regard to James Murray when he was running this board in 1936 and they were investigated. This matter was investigated the third time with regard to the very same matter: hedging for buying and selling of wheat and using the open market, the ordinary facilities—

the same charges were made again and those charges were investigated by Judge Turgeon, and this is his report, and he went around the country holding meetings. Several men who made charges never appeared before him at all.

Mr. PERLEY: Have you the evidence of 1936?

Mr. DONNELLY: Yes.

Mr. PERLEY: Will you let me have it please?

Mr. Ross (Souris): I do not know why it is not in the public interest that the selling price of this wheat sold to the British empire should not be divulged. Why should it be a secret to the Canadian public what that wheat sold for; can you explain that?

Hon. Mr. MacKINNON: Gentlemen, I want to be very carfeul in what I say in answer to the statement made by Mr. Ross. Personally, I can say that as far as I as Minister of Trade and Commerce, or as far as the interests of anybody in Canada are concerned, I see no reason why this information should be withheld from the people of Canada, and for that reason I directed a request not long ago—some time ago first and not long ago secondly—urging that we be allowed to make public the price at which our wheat was sold to the British government. That was a personal request from me as Minister of Trade and Commerce and the reply came back that they were sorry but that at this time they must insist on secrecy as to the price. They went on to state that they hoped that possibly they might not have to make this request for very long, but that at the present time they wanted us to undertake to continue the undertaking not to reveal the price. Now, I cannot say very much more without revealing their reasons for asking, but I did say before the delegation from Saskatchewan that if I were able to answer the question that Mr. Fair has just asked he would be disappointed; it would not substantiate what is in his mind.

Mr. Ross: You think it would not be in the public interest to give a reason for the secrecy?

Hon. Mr. MacKINNON: No, it would be a breach of trust with the British government; I could not do it.

The CHAIRMAN: Gentlemen, the motion before the committee would read in this way: That this committee recommend that the Minister of Trade and Commerce ask parliament for a new order of reference in the following terms: namely, that the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, be referred to the Standing Committee on Agriculture and Colonization with the power to inquire into matters contained therein, with power to send for persons, papers and records and to report to the house from time to time their findings thereon and to print from day to day 500 copies in English and 200 copies in French of the evidence presented to it.

Now, the Minister of Trade and Commerce is agreeable to amending that resolution to include the annual report for the crop year 1939-1940.

Mr. WARD: Is that matter open to discussion now?

The CHAIRMAN: Yes.

Mr. WARD: Mr. Chairman, I want to take this position very definitely; I do not think we should accept any such responsibility without first calling Mr. Hanson before this committee. After all, are we not, perhaps, taking for granted entirely too much. Let Mr. Hanson come before this committee and make his charges and let him substantiate them or endeavour to. I do not think I am giving any secrets away when I say that I know for a fact that Mr. Hanson had employed in the city of Winnipeg a man for over a month preparing that statement he delivered in the house the other day—

Mr. PERLEY: I take exception to that statement; that is not a statement of fact at all. I know that.

Mr. ROSS (Souris): I happen to know that that is an untruthful statement. I think that should be retracted.

Mr. WARD: Let Mr. Hanson come before this committee and say that he did not have employed in the city of Winnipeg a man preparing that statement.

Mr. ROSS: He did not. That is a most untruthful statement.

Mr. WARD: Having delivered that statement based upon evidence gathered in the city of Winnipeg, why should Mr. Hanson not come here and prove his statements giving something with which to go forward upon. We have not anything except the statement by a man who knows very little about the grain trade—not any more than I do, and that is a mere nothing. I think we are making a mountain out of a molehill, and I think before we tie ourselves up to any large responsibility the committee should first have Mr. Hanson come before us and prove that these matters are worth while investigating.

The CHAIRMAN: The motion is before the committee. Let us hold to this reference.

Mr. DOUGLAS: Mr. Chairman, it seems to me the general reference as originally read out is unnecessarily restrictive. I do not care whether we call Mr. Hanson or not. Mr. Hanson's statements have nothing to do with my interest in this matter. I have felt that ever since the war started, by virtue of the fact that the handling of wheat is of necessity very different from what it was before the war—Great Britain is now our only customer—that there ought to be a committee of this house which could get some information as to the *modus operandi* by which this wheat is handled. I doubt if many members know exactly what is happening to a carload of wheat from the time it leaves an elevator until it lands in Liverpool; and irrespective of any charges made by Mr. Hanson or anybody else I would like to have this information, and I would like to see it given to this committee, whether statements have been made by the leader of the opposition or not. That does not enter into the matter. I think that the terms of reference should be wide enough to cover—the first term of reference only covered the 1940 crop—if the term of reference would cover the 1938-1939 report and the 1939-1940 report and show the transactions in the 1941 report up to the end of 1941 with the understanding that if at any time the chairman of the wheat board or the minister says that a certain question asked is not in the public interest, and can so satisfy the committee, I do not think that question should be pressed. After all, they are a business concern, and we must not be unreasonable. There does not seem to be any reason for argument against presenting these two financial reports, with the proviso that at any time should questions be asked which would seem to jeopardize the transactions of the boards answers would be withheld.

Mr. GOLDING: May I ask Mr. Douglas a question? Have you read the evidence taken in these committees and tried to follow it in every case?

Mr. DOUGLAS: Which committee?

Mr. GOLDING: The committees held here from time to time.

Mr. DOUGLAS: As a matter of fact I sat in on most of the sessions in 1936 and followed the proceedings closely, but there have been no committees in this house at any time to investigate any of the financial statements since the war. I doubt if there are six members of this committee who know exactly how wheat has been handled since the war started; there has been no opportunity to find out and for that reason this committee should welcome an opportunity to go into this matter.

Mr. MACKENZIE: It seems to me that at the beginning of this investigation we had certain witnesses who came here and gave evidence under oath.

Their evidence was to go on the record and be printed. Now, are all these questions being asked in this more or less political propaganda to be printed? I move that the chairman occasionally tell the reporter that certain things must go on and certain things must not go on. Now we have everything going on the record.

The CHAIRMAN: All the proceedings are on the record this morning.

Mr. Ross (*Souris*): I am not interested in any charges by anyone; but I am interested in the operation of this wheat board.

Hon. Mr. MacKINNON: The wheat board is interested.

Mr. Ross: That may be all right. I think it should be investigated further. These people are basing their whole argument on the statement that we should not inquire into this matter unless certain people prove certain charges. This is the first time that the agriculture committee has met since I have been a member of parliament, and I think it is our duty, because we are handling this wheat on a different basis during the war from the manner in which we handled it previously, to look into these matters. Surely every member of this committee is interested in getting details of how wheat is handled, and we should be allowed to proceed to investigate these matters on that basis.

The CHAIRMAN: Can we come to a decision?

Mr. DOUGLAS: What are the terms of the reference we are voting on?

The CHAIRMAN: The minister is prepared to include the crop years 1939 and 1940; the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, and the annual report for the crop year 1939-40 be referred to the Standing Committee on Agriculture and Colonization and so on.

Mr. DOUGLAS: The report does cover 1939 and 1940—that is 1939 and 1940, and 1940 and 1941.

Mr. McIVOR: I should just like to point out that the last report 1940-41 covers all of the operations of the two crops to which Mr. Douglas refers right up to date, so there is no use of this committee going back to the previous one.

On the point raised about having information up to December 31, I would much rather give all the information we can give up to December 31 than have any member of this committee think we are not prepared to give it. Now, there will be some questions we cannot answer, and I frankly cannot understand why there should be persistence in asking for information which we are powerless to give. As the minister said, with regard to these sales, we have no objection to giving that information, but the British Government asked us not to do it, and they have given this government a very good reason from their standpoint why the information should not be given. I think you will agree that we cannot go ahead in the face of that and give the information. As far as giving information up to the 31st of December is concerned, the only thing that is involved there is the fact that it is going to take a considerable amount of work to do it. It is just the same as if the Canadian Pacific Railway, who put out an annual report closing with the 31st of December, were told by their shareholders, "We are not satisfied with that annual report; we want a report as at the 30th of June." It means that the Canadian Pacific Railway have to turn their accountants in to give them that information. I just want to say, Mr. Chairman, that as far as the board is concerned, I would a thousand times rather go to the extra work and give the information to the committee up to the 31st of December than to have any member of the committee think we were not prepared to give it.

Mr. McNEVIN: Mr. Chairman, I just want to say a word here. We have been here for one and a quarter hours discussing this reference. I think we are ready for the question. When the next year's annual report is ready, there will

be an agricultural committee and we can then consider all those questions. We have got to pass Bill No. 13. We are asked to pass this important bill. What time is there going to be left for discussion if we fiddle around discussing something else.

The CHAIRMAN: Is the committee ready for the question?

Mr. PERLEY: Mr. Chairman, we are not going to rush this thing. There have been a lot of things said here this morning which are not correct. For instance, there is Mr. Ward's statement. I am not going to stand for that. I want him to withdraw it. Also Mr. Donnelly made a reference to the 1936 investigation. I wish I had the evidence here. I have it in my office. Mr. McIvor referred to it yesterday and said that the report was unanimous at the 1936 inquiry. Mr. Donnelly says the same thing was referred to that committee. It was not the same thing. It was a matter of protecting the shorts. I recall that as a direct charge.

Mr. DONNELLY: The handling of grain was in there too.

Mr. PERLEY: The report that Mr. McIvor referred to yesterday of June 11th is something I should like to read from. You have it there. Would you allow me to have it to read to the committee, Mr. McIvor?

Mr. McIVOR: Yes. Here it is.

Mr. PERLEY: I just want to correct the statement that Mr. McIvor made yesterday. But coming back first to the question before us, may I say that the integrity or the honour of the board is not at stake. Nobody made such a charge as that. Mr. Hanson asked for information. I have *Hansard* right here. It is just a matter of information. He asked for the amount of purchases of wheat to date. He asked for the amount sold. He did not ask for even the price. He asked for a statement with respect to brokerages. He did not make any charge. He deliberately asked for information. If you are going to insist on that interpretation, that in what he asked for he made a charge, then, sir, bring your evidence up to date. Let us go right up to the very date. Unless you are prepared to do that, I want you to withdraw any statement that it is a charge, because it is not a charge. It is just asking for information. If you are going to insist on it, then bring it up to date. If you are not prepared to bring it up to date, then withdraw that statement.

I just want to make reference here, for the information of some of the members of this committee, to the inquiry of 1936. Mr. McIvor quoted yesterday from the minutes and proceedings of the meeting of June 11th, No. 10, the last meeting of that inquiry. I think he said it was a unanimous report. Now, it was far from a unanimous report, and I am going to read one paragraph and explain to the committee why it was permitted to put that word "unanimous" in inadvertently; because we insisted then on a further inquiry and Judge Turgeon was finally agreed on as the commissioner. I want to read a paragraph from the report of the committee:—

After a full examination of Mr. Murray and the records placed by him at the disposal of the committee, we are of the opinion that the course taken by the board in the marketing of wheat was consistent with the intention of parliament in enacting the Wheat Board Act of 1935 and with the policy of the government to reduce the wheat surplus to reasonable proportions.

While there was a short interest in the Winnipeg wheat market in December of 1935, no evidence was produced that would warrant the conclusion that speculative short interests were protected by the board in that month. As the committee finds it impracticable to obtain conclusive evidence on this point, we recommend that this matter be referred for further investigation to the royal commission, the appointment of which is recommended in this report.

Then it goes on to say what should be the order of reference to the commission of Judge Turgeon. So there is evidence that it was not unanimous except with the understanding, "As the committee finds it impracticable to obtain conclusive evidence on this point we recommend that this matter be referred for further investigation to the royal commission." So it was not unanimous. We could not get conclusive evidence. It was referred to a royal commission on that account.

Mr. McNEVIN: You got the royal commission. Let us have the question.

Mr. PERLEY: The order of reference of that committee was not the same as this order of reference at all. Mr. Chairman, I think that the minister and Mr. McIvor should agree to bring it up to date or else withdraw all this stuff about there being a charge. They are only being asked for information.

Some Hon. MEMBERS: Question.

Mr. PERLEY: If you bring it up to date, all right.

Mr. DONNELLY: Mr. Chairman, just a word before going further. Mr. Perley has said that this was referred to a royal commission. I have here the report of the royal commission and this is in the order of reference, as appears from the first paragraph:—

The methods now or heretofore employed in marketing Canadian Grains abroad, including Government Grain Boards, co-operative or pool marketing, price stabilization measures and the open market or competitive method; and the effect of these various methods upon markets.

The whole matter of marketing grain was referred to this commission.

Mr. PERLEY: To the Turgeon commission.

Mr. DONNELLY: The same thing as, I was saying, we are investigating here—the method of marketing by open markets or by using the facilities of the trade.

Mr. PERLEY: But not this committee.

Mr. DONNELLY: I want to say this in connection with what is going on. I turn over to page 188 and I notice an excerpt of the evidence of Mr. J. R. Murray. I want to read this for the information of the committee:—

The criticism which has been directed against our operations illustrates what will always be one of the greatest difficulties confronting any government board, namely, satisfying the producer and parliament. Wheat is a commodity subject to the play of constantly changing conditions. In selling wheat the very nature of the problem—when, how much, and at what price to sell—is such that there must always be differences of opinion as to the best course to follow. Any board has to reach decisions and act in the light of facts and possibility as they see them and honest criticism, no matter how severe, need not be a cause of concern to anyone. There is another class of criticism. Some individuals for reasons best known to themselves, make their contribution to our wheat problem in the form of speeches or statements containing what can only be described as false statements. As people will listen to them and believe them, ignoring them simply assists them in killing the operation of the system they profess to uphold. It may be important to assess the probable effect of continued criticism on any future wheat board in their handling of the particular marketing problems that they will have to deal with from time to time.

Then Judge Turgeon says:

It is perhaps impossible to exclude any government appointed body from public criticism; but the fact that the members of such a body will sometimes believe and feel that the criticism to which they are

subjected is unfair, and of a nature to mislead those whom they are trying to serve, is something that will surely militate against the continued efficient performance of their duties. All this is bad for the producer. His interests are best served when politics are dissociated from his business.

Some Hon. MEMBERS: Hear, hear.

Mr. DOUGLAS (*Weyburn*): Let us have the motion.

Mr. CHAIRMAN: I just want to point out that the passing of this term of the further order of reference is to some extent conditional on the passing of the bill. If the bill is not passed to-day, then we do not need this order of reference.

Mr. DOUGLAS (*Weyburn*): Let us get on with it.

Mr. CHAIRMAN: What shall we do? Shall we pass the bill and then go on to the order of reference? Shall we let the motion stand?

Mr. DECHENE: Let us pass the order of reference.

Mr. PERLEY: Let us have a statement as to the order of reference from the minister before we proceed with the bill.

Hon. Mr. MACKINNON: I understand that this discussion is for the purpose of enabling the bill to be reported to-day.

Mr. PERLEY: Yes; that is right.

Hon. Mr. MACKINNON: I further understand, and my attitude to this discussion is that if the bill is not reported to-day, then this committee will adjourn and reconvene after the Easter recess without any further reference.

An Hon. MEMBER: Put the motion.

The CHAIRMAN: I point this out again, that the order of reference to this committee is to deal with Bill No. 13, and the other discussions that came in in connection with it are not strictly tied up with the amendments in the bill which is proposed. By offering this additional opportunity to inquire into it, it has opened the scope to secure information much wider than holding strictly to the bill. I do not want to be placed in the position of passing this order of reference and then not have this bill go through.

Mr. DECHENE: Let us vote on the bill.

Mr. DOUGLAS (*Weyburn*): It is clearly understood that the order of reference will be passed if the bill is passed?

The CHAIRMAN: I will see that the order of reference is passed if the bill is passed.

Mr. PERLEY: We are not agreeing on the order of reference until then?

The CHAIRMAN: Will someone make a motion that the order of reference motion stand and we will proceed to discuss the bill?

Mr. EVANS: I will move that the order of reference motion stand.

Mr. BLAIR: I will second that.

The CHAIRMAN: It is moved by Mr. Evans, seconded by Mr. Blair that the order of reference for continuing the enquiry stands, to be referred to at a later stage of this committee's meeting. All those in favour?

Mr. ROSS (*Souris*): Just a minute. I understood that this whole report from the steering committee was to the effect that we would have a distinct understanding as to the future terms of reference, that it would be brought in for us before we passed this bill. Once we pass the bill, it is understood there is to be a new order of reference?

The CHAIRMAN: I am afraid you are not going to pass the bill. You are not going to get to the bill. If you do not let the bill pass to-day then we do not need a new order of reference at all.

Mr. WARD: The whole thing is washed up.

The CHAIRMAN: If the bill is not passed to-day.

Mr. ROSS (*Souris*): We have a distinct understanding from the minister that we will have a new order of reference based on what you have given us?

Hon. Mr. MACKINNON: Absolutely.

The CHAIRMAN: The order of reference is as I have read it, that the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, together with the annual report of the crop year 1939-40, be referred to the standing committee on agriculture and colonization. There has been no suggestion to alter that in any way that I have heard.

Mr. ROSS: It may involve an alteration. I think it should be up to date. I think it should be broad enough to take in part of this year's operations.

Mr. McNEVIN: There is a motion to have this order of reference stand. I think we should have it passed.

The CHAIRMAN: That is the motion that is made.

Some hon. MEMBERS: Carried.

The CHAIRMAN: All those in favour? Contrary, if any? I declare that the motion with respect to the order of reference standing for the time being is carried.

Then may we proceed with consideration of Bill No. 13.

On section one:

Mr. DOUGLAS: I wonder if the minister will explain to us what will be the relation between this initial selling price of 90 cents and the selling price that has been established, or the ceiling scheme that has been established by the government. If I may amplify what I have in mind; a Toronto paper carried an interview some time ago in which Mr. Donald Gordon said that in spite of the fact that the price had been set at 90 cents he could assure the Canadian public there would be no increase in the cost of bread or flour. Now, that means that if the base price of last fall—September 15th to October 11th—is going to be retained at 77½ and the wheat board are going to pay an initial price of 90 cents, either the miller is going to have to absorb it if the consumer is not going to pay more for flour and bread, or the government proposes to pay a subsidy of the difference between the seventy-seven and a fraction cent price and the ninety cent price. I think we should have some idea as to how this scheme fits in. Is this initial payment to be the actual payment that is received for wheat sold to the domestic consumer, the miller; or, will they buy wheat at the old price and make up the difference some way?

Hon. Mr. MACKINNON: Mr. Chairman, in answer to Mr. Douglas' question: as a member of the wheat subcommittee of the cabinet I have with my colleagues participated in discussions among ourselves and with those responsible for the Wartime Prices and Trade Board's ceiling prices referred to by Mr. Douglas. Now, my understanding is that these discussions are continuing and that they have about reached the point where I can definitely make a statement as to how that particular position will be handled. I have no doubt though that Mr. Gordon's statement to the effect that bread prices will not be affected by this increased initial price to western farmers for wheat is correct—essentially correct.

Mr. DONNELLY: There is no ceiling being placed on wheat?

Hon. Mr. MACKINNON: Not that I know of.

Mr. DOUGLAS: Mr. Chairman, that is a queer statement to make; that there is no ceiling being placed on wheat.

Hon. Mr. MACKINNON: Pardon?

Mr. DOUGLAS: I say, that is a queer statement to make; that there is no ceiling being placed on wheat. If Mr. Gordon's statement is accepted at its

face value the miller will have to be able to buy wheat at the same price at which he bought it in the base period—

The CHAIRMAN: Order, please.

Mr. DOUGLAS: —and actually that will be the ceiling, and the government will have to subsidize the farmer to the extent of the difference between 70 and a fraction cents and the 90 cents; so that the 90 cents will not only be the maximum price but it will even be a subsidized price. Now, while I would like to have had this information before the bill passed, if that is the principle, that the government proposes to subsidize the difference between the basic price and the initial price, it means first that there cannot possibly be any extra payment going back to the participation certificate; the second thing it means is that we are taking from the Dominion Treasury some 12 and a fraction cents per bushel in order to give cheap wheat to the millers. Now, I am not going to go back over what has been gone over in the house but I think it has been shown again and again that the millers have paid more for their wheat than they are paying now; that they have paid even more than 90 cents and have still sold flour for even less than they are selling it at now; and they can afford to pay a much higher figure for wheat than they are paying now, and if the government are going to subsidize them and give them wheat at 77 and a fraction cents a bushel and then make up the difference between what they pay the farmer and the initial price, what they are really doing is subsidizing the milling industry out of the treasury department and giving them ridiculously cheap wheat.

Hon. Mr. MACKINNON: I do not think Mr. Douglas is correct in his assumption, because as I said certainly no decision has been arrived at yet, and there is a considerable body of public opinion to the effect that the very closest investigation should be made as to whether there is any necessity for the millers to buy cheaper than 90 cents.

Mr. DOUGLAS: I submit it should be possible to peg the price on the exchange at 90 cents, just as it was pegged before at 70 cents; and that they could buy as they have bought in the past, and a lot of them absorbed the difference. I can hardly believe the government are going to do it. When they took off the—what was the payment—yes, the processing levy—they took that off, and if they felt they could not charge the processing levy they certainly would feel that they could not carry the 90 cents.

Mr. WARD: Mr. Chairman, I read the same statement or article as did Mr. Douglas, the one to which he referred, and I wanted to point out that in it was stated that if the price of wheat rose as much as 52 cents per bushel—that it could rise as much as 52 cents per bushel before it would affect the price of a pound loaf by one cent; so I think it was just answering that very question which you have brought up.

Hon. Mr. MACKINNON: Yes.

Mr. DOUGLAS: I would like to point this out—I agree with what Mr. Ward said that you can raise the price 52 cents a bushel before it would raise the cost of a loaf of bread as much as one cent—however, I do not think the government quite agree or they would not have taken off the processing tax. On the same basis it is not likely that they will allow another 12 and a fraction cents on a bushel of wheat without some adjustment if they are going to insist on selling bread at the same price.

Hon. Mr. MACKINNON: I do not want to go into this unnecessarily, but may I just draw to the attention of the committee and Mr. Douglas the changes that have been made in the regulations affecting the wrapping and delivery and the packaging of flour; and the wrapping and delivery of bread and so forth.

Mr. DOUGLAS: Yes.

Hon. Mr. MACKINNON: I think that all has a bearing.

Mr. DOUGLAS: On the price of bread, not on flour.

Hon. Mr. MACKINNON: Yes, on the package method of distribution of flour.

Mr. DOUGLAS: Yes.

Hon. Mr. MACKINNON: On the flour packages in which it is put up for sale, and other matters of that kind; that will all have an effect on the price of flour.

Mr. FAIR: Might I ask the minister if in his opinion 90 cents a bushel is sufficient to guarantee the farmer his cost of production?

Hon. Mr. MACKINNON: Mr. Chairman, I cannot answer that question. I think it is quite safe and in order for me to say that I think 90 cents is all that can be paid at the present time as an initial payment on the price of wheat.

The CHAIRMAN: On section 3.

Mr. FAIR: As to the 90 cents, we all agree that it is better than 70 cents; but it seems to me, judging by what the Minister of Agriculture said in the house the other day, that the farmer is not getting nearly the cost of production yet. He said that under present conditions that this was the very best that could be done if we are going to carry on our war effort. I still contend, as I have been in the past, that there is no reason why the farmer should be penalized and others get cheap bread while they are still compelled to produce wheat far below the cost of production. At the present time I favour 90 cents as being better than 70 cents; but if it were within my power to move an amendment—but, of course, not being a minister of the Crown, I cannot—I would certainly move an amendment that the price be put up to at least \$1.00 a bushel initial with the view later of bringing it up to a parity price. That is my stand here. I want to make that clear. I don't want to vote against the 90 cent price; because, as I said before, it is better than 70 cents; but I am certainly not satisfied with 90 cent wheat.

Mr. Ross (*Souris*): Mr. Chairman, in section 1; on what basis would quotas be established for delivery—the same as last year?

Hon. Mr. MACKINNON: Mr. Chairman, on this matter of quotas, may I just refer briefly to the statement that was made by Mr. Perley: this is a matter which was very much more to the front in 1940 than it was in 1941 on account of the nature of the crop; and for that very reason the wheat board cannot tell what the quota system will be until they see the amount of wheat sown, the nature of the season, the nature of the growth and the prospects of the crop.

Mr. Ross (*Souris*): But you have been following a certain system in working out these quotas for each crop?

Hon. Mr. MACKINNON: For each crop, yes.

Mr. Ross (*Souris*): Could you give us an idea of the system followed so that the farmer himself might be able to have some idea as to what is going to be possible?

Hon. Mr. MACKINNON: I am advised by the chairman of the board that it would be impossible to do that until they have more facts.

Mr. DOUGLAS: Mr. Chairman, could I ask the minister just this question? Would it be possible to arrange to have regulations restricting deliveries brought down in the house, or in the hands of members, say at the time his estimates on the Canadian Wheat Board are being discussed? I think some opportunity should be given to us to see these regulations, not merely have them printed in the press the last week of July. I think we had an opportunity last year of discussing them in the house. I think it gives members a better understanding of them and it also gives the minister the reaction of the members from different parts of Canada.

The CHAIRMAN: May I just interject here: the matters Mr. Douglas raises, and also Mr. Ross, I think are pertinent matters which would be right within the scope of our reference as we continue in this committee. The amended order of reference which has been proposed when it is before us will afford us ample opportunity of dealing with all these various matters.

Hon. Mr. MacKINNON: I can give a direct answer to the question asked by Mr. Douglas. If he will look at Order in Council P.C. 1802 I think the information is all set out there.

Mr. Ross (*Souris*): The farmers will not have any idea of what system they are going to make deliveries of wheat on, and they would like to know the system on which they are going to be able to make deliveries. I am operating a farm; last year the basis was 65 per cent of original acreage allowance. If I find that I am going to be able to produce 20 bushels to the acre I would reduce my acreage, and do it early. I am merely asking that so that the farmer can be given some idea as to what his commitments will be. Could that be indicated to us, approximately?

The CHAIRMAN: There, again, I suppose the figure depends on the crop and conditions and cannot be fully determined until the 1st of September next. If they knew what the several factors involved were going to be they could probably give you some information on it now; but as matters stand I do not think they could do it now, nor do I think you or anybody else could.

Mr. Ross (*Souris*): We were given some information last year.

Mr. WRIGHT: I think the minister or the board should make some announcement—it might only be on the same basis as last year, providing for a crop that is not over 280,000,000 bushels.

The CHAIRMAN: Perhaps Mr. McIvor could give us a word on that point.

Mr. McIVOR: If the members will recall, the minister referred to that in his statement. There is no desire on the part of the board to change the system in so far as this basic acreage is concerned. There is some question as to how the quotas will be fixed, and that depends largely on the character of the crop. I would like to assure this committee that we will give that information to the farmers just as soon as we possibly can.

Mr. DOUGLAS: Going back to the point raised by Mr. Wright: in the event of there being a smaller crop than 280,000,000 bushels, does the government propose to take all the wheat irrespective of quotas as it did last year?

Mr. McIVOR: Our instructions are to take up to 280,000,000 bushels.

Mr. DOUGLAS: Irrespective of quotas that may be set?

Mr. McIVOR: Yes.

Mr. PERLEY: I think it is evident that we may expect some further orders in council and rules and regulations—conditions may develop.

Hon. Mr. MacKINNON: Yes.

Mr. PERLEY: The board would have to do that. I am quite willing to put it that way. Now, coming to this subsection (i) I just want to ask the minister with respect to "mills"; if the word "mills" inserted there—what was the idea of inserting "mills"? They had no elevators, and they had mills. That may be a matter for Mr. McIvor to deal with. Perhaps he could give us an answer to that. Could he indicate to the committee if the mills are stocked up, or will they be permitted to stock up with flour or wheat at the present basic price of the 31st of July? Will the board permit the mills, in maybe some of their large storage bins, to stock up wheat at the present price and carry it three or four months before milling—before the new crop comes in. I think it would be a great advantage if they were allowed to do it. I do not think they should be.

Mr. McIVOR: Mr. Chairman, regarding the first part of Mr. Perley's question; the word "mills" was just put in to clarify the position. There was some

doubt as to whether a mill-elevator was a mill, or a mill was a mill-elevator; and it is merely put in there to clarify certain situations which arise. We had that argument last year.

The second part of his question, as to the mills stocking up, must be linked necessarily with Mr. Donnelly's point, as to the question of what price the mills will have to pay for wheat this coming year; and until such time as the position is clarified I do not think I can answer your question as to what the board will or will not do.

Mr. PERLEY: It is quite possible, I know, for them to fill their space with wheat at the present time, with sufficient to carry them over for a long period of time.

Mr. McIVOR: I think, Mr. Chairman, that we will do our best to protect the interests of the board and the country in regard to the mills or anyone else.

The CHAIRMAN: That situation would not affect the change in this amendment, would it?

Mr. McIVOR: No, it has nothing to do with the amendment at all.

Mr. DONNELLY: Was not this amendment put in here to prevent the mills from taking wheat and mixing it; or, taking it out and shipping it again?

Mr. McIVOR: No.

Mr. DONNELLY: Is not that the section it comes under?

The WITNESS: No, Mr. Donnelly, that was put in; you see, it says: "To regulate deliveries of all kinds of grain of producers to country elevators, loading platforms, mills, mill elevators." Now, then, the question was raised last year as to the legal right of the board to regulate deliveries to a mill and our answer was that you were operating a mill elevator. They said, "We are not operating a mill elevator, we are operating a mill." So there would be no doubt about it the word "mill" was put in the act.

By Mr. Perley:

Q. Mr. McIvor, can you give us some information as to how the mills secure their wheat to grind and fill export orders of flour at the present time? A mill may not have sufficient wheat say to grind to fill their order. How do they get the wheat, from the board; how do they get it to fill the export order of flour?—

A. I would be very glad to explain that situation to you, but I cannot do it in fifteen minutes. If you want to raise that point when we meet again I shall be very pleased to answer it.

The CHAIRMAN: We are at section 1 (e).

Mr. LEADER: Since you are on (e) I just wish to voice my objection, as I have done on previous occasions, in regard to the 90 cents that it is proposed to be paid for No. 1 Northern at Fort William. I do so because I feel in my own mind that a price of \$1 should have been inserted in this bill; therefore I am taking this method of voicing my disapproval by moving an amendment which would delete the word "90" in section 1, line 13, and substitute the word "\$1". I move that as an amendment.

The CHAIRMAN: I point out to the committee—

Mr. McCUAIG: That motion would be out of order because it involves quite an expenditure of money.

The CHAIRMAN: I think I shall have to rule that way.

Hon. Mr. MacKINNON: You have accomplished your purpose anyhow.

The CHAIRMAN: Shall subsection (e) of section 1 carry?

Carried.

On section (i):

Carried.

On section 2:

Carried.

Shall the title carry?

Carried.

Shall the preamble carry?

Carried.

Shall I report the bill?

Mr. DOUGLAS (*Weyburn*): Before you report the bill may I say this? Once you report the bill we are all through. Before you report the bill I would move that the bill stand and we come back to the terms of reference.

Mr. ROSS (*Souris*): I second that.

The CHAIRMAN: You have the undertaking of the minister anyway. Mr. Douglas moves we reintroduce the motion providing for a further order of reference. Dr. Donnelly's motion is before the committee. Are you ready for the question?

Mr. DOUGLAS (*Weyburn*): Is it understood that the terms of reference are now worded so that they cover the operations of the Wheat Board up to the end of the calendar year 1941?

The CHAIRMAN: The terms of reference as I have them before me do not. Nobody submitted any wording to change that. If the minister wants to go so far as to say that he is prepared to agree to that, all right.

Mr. ROSS (*Souris*): I would move that the terms of reference be amended to read, "the first six months of the 1941 crop."

Hon. Mr. MACKINNON: Is there not such a thing as good faith any longer? The chairman of the Wheat Board has stated that he would be prepared to answer questions without any strict reckoning to any cut-off date as long as in his opinion he feels it is in the best interest of Canada generally and the operations of the Wheat Board to do so.

By Mr. Perley:

Q. May I ask Mr. McIvor a question with respect to the breakdown of brokerages that have been paid, brokerage fees paid up to date. Would that not be relevant under this order?—A. Mr. Chairman, with regard to the question of the breakdown of brokerages, if you have the breakdown of brokerages you have the same kind of breakdown if you make it up to July 31, 1941, as you would if you make it to December 31, 1941. I just want to repeat again, as far as I am concerned, and I am sure my colleagues will agree with me in this, we would rather a thousand times over have the information put before this committee, such information as in our judgment we think should be given to the committee, brought up to the 31st December, 1941, than have any member of the committee consider that we were holding anything back. I think that is clear; but I also want to couple with that that if you insist on the information being brought up to the 31st December, 1941, it means a good deal of work; it means that the board has to turn accountants over to it, stop doing the work they are doing on certain books and turn accountants into the task of getting the information up to the 31st December. The information that is given up to July 31, 1941, is very clear, I think. Some of the members think it is not complete now; but we have all our working papers up to July 31, 1941, and if the members want these figures broken down, if they tell us ahead of time what they want we will have Mr. Findlay brought down here to give that information; but there is no use having Mr. Findlay brought down with the books in Winnipeg and then be asked questions which it is impossible for him to answer when he is here. That is a needless expense.

I am absolutely in the hands of the committee. I put the question before you as clearly as I know how, and we are quite prepared to be guided by the committee with regard to the bringing of it up to date. I would suggest to your committee, though, that if you insist on the information being brought up to date you will have to accept the responsibility and it may be a serious one. That is all I have to say.

Mr. DONNELLY: I should like to ask one question.

Mr. Ross (*Souris*): My amendment reads December 31, 1941.

Mr. DONNELLY: Mr. Perley has referred to the brokerage charges made, and there has been a lot said about the hedging question. I should like to ask Mr. McIvor to bring down a detailed statement up to the 31st of July, 1941, of all the brokerage charges paid and also the hedging operations and give us what it has cost you to carry wheat by the hedging operations and what it would cost you if you had done it under the ordinary method, by what Mr. Hanson said were storage charges, so that the committee may be in a position to judge whether it has been more profitable to carry wheat by hedging operations or whether it would have been more profitable to carry it by the ordinary storage method as Mr. Hanson suggested.

The CHAIRMAN: May I submit to the committee we are dealing with the terms of this order of reference.

Mr. McNEVIN: I want to say a further word on the point Mr. Perley has brought out, also Mr. Ross, in wanting this reference to read up to 31st December last. The main points in the conduct of the Wheat Board operations do not materially change from year to year, therefore if this reference takes us up to the end of the Wheat Board year it will serve our purpose. With regard to next year, as I said previously, we can carry on from there.

The CHAIRMAN: The amendment is before the committee.

Mr. PERLEY: I should like to speak to the amendment and I should like to make one observation. My whole purpose in trying to get this information is to see whether there can be some system evolved to make a saving. It is costing us \$60 millions to carry the crop of wheat this year, according to the minister's statement. I thought if we could evolve some way of saving storage charges or brokerage charges or whatever you like to call it, we would be doing a service to the country. However, if Mr. McIvor is not willing to give us a breakdown of these charges it would not be of any value to me.

Mr. McIVOR: Mr. Chairman, I object to Mr. Perley's statement. I never at any time said that we were not willing to give you further information.

Mr. PERLEY: Up to date.

Mr. McIVOR: I am going to ask that that statement be withdrawn.

Mr. PERLEY: If the committee is not willing to ask you to do that.

Mr. McIVOR: You said I was not willing.

Some Hon. MEMBERS: Withdraw.

Mr. PERLEY: I said that the committee is not anxious to get information of that character up to date.

Mr. GOLDING: That statement should be withdrawn too.

The CHAIRMAN: I think the committee is just as desirous of getting all the information that it can secure with regard to the actual operations and the details of operating the wheat board as any person. I mean the committee as a whole is anxious to get that. The whole question comes down to the method of procedure. That may be altered from time to time but we have to have a limit to the extent to which the committee is going to go in looking for this information. I do not believe this committee will itself want to be here all summer going through a full inquiry into the grain trade in order to answer

certain questions which have been asked. If we can get the explanations, and get the answers to the questions then I am sure the committee will be pretty well satisfied.

Mr. GOLDING: I think that statement, or that inference, that Mr. Perley has drawn that the committee is not anxious to get information should be withdrawn.

Mr. PERLEY: See how the vote goes.

Mr. GOLDING: I think it should be withdrawn.

Mr. DONNELLY: I agree with what Mr. Golding says. As a member of this committee I am quite anxious to get all the information that can be obtained; but I am not willing that the operations of the wheat board should in any way be prejudiced or that their operations should in any way be hurt or interfered with. I want all the information that I can get otherwise.

Mr. PERLEY: Everybody wants that.

Mr. DONNELLY: I resent statements of that kind, that I do not want information.

Mr. DOUGLAS (*Weyburn*): The chief commissioner has said it will not prejudice the board. I understood him to say it will not prejudice the operations of the board to give information up to the end of the calendar year, therefore no one is doing anything to prejudice the operations of the wheat board.

Mr. GOLDING: I still say in all fairness that Mr. Perley should withdraw that insinuation.

Mr. PERLEY: You had better name me.

Mr. GOLDING: Mr. Perley is an old member of parliament and should not make a statement of that kind. Are you withdrawing it?

Mr. ROSS (*Souris*): You have heard other members make false statements and they have not withdrawn them yet.

Some Hon. MEMBERS: Who?

Mr. ROSS (*Souris*): Mr. Ward.

The CHAIRMAN: This is all going down in the record.

Mr. McNEVIN: I want to find out everything that is possible as a member of this committee with regard to the wheat board but I am not prepared to interfere with or hamper the work of the directors of the wheat board; therefore I am willing to wait for these details until the conclusion of next year's business. That is all.

The CHAIRMAN: This proposed order of reference, may I say, was copied from the order of reference that is made in connection with the Canadian National Railways as a means of officially placing this matter before the committee so that it might be further considered at another time. Now, the motion is before the committee (read motion).

Mr. FAIR: Before this vote is taken may I say I am satisfied to have the information up to the end of December, 1941, if it will not in any way hurt the operations of the wheat board.

Mr. CHAIRMAN: You will have to take that responsibility.

Mr. McIVOR: Mr. Chairman, I just want to say again what I said before, that we have no objection to giving the information to the 31st of December, 1941. It won't harm the position of the wheat board; it will make a great deal of work for the board because in regard to the July 31 position we have all the working papers, with regard to the December 31 position it means getting a lot of our accountants to go over the books and bring these matters up to date. We are just exactly in the same position as any other corporation, our books are operated from the 1st of August to the 1st of August, and that is the position, and I am putting it up to you.

The CHAIRMAN: The question is on the amendment.

On a standing vote the amendment was lost.

The CHAIRMAN: I declare the amendment lost.

Mr. PERLEY: Mr. Chairman, I would like to have a recorded vote on this matter.

Mr. DECHENE: I think if we had no record at all we would get on better.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, this committee was protesting a few moments ago that it wanted a full investigation. The vote should be put on paper.

The CHAIRMAN: Very well. All those in favour of the amendment indicate by answering to the roll.

Upon division the amendment was lost.

Mr. PERLEY: Does the minister vote on this?

Hon. Mr. MACKINNON: I am not a member of the committee.

The CHAIRMAN: The vote is now on the main motion.

Mr. DOUGLAS (*Weyburn*): That means that the investigation should be restricted purely to the 1938-39 crop and the 1939-40 crop. All I want to point out is that a few moments ago when we were asked that this should be understood, the Minister of Trade and Commerce said there was no faith in people's promises. As a matter of fact, what we have done is the best proof that we should have something definite and understood. The minister indicated he was willing to have this matter investigated, and the wheat board commissioner is willing, and the committee have restricted—

Mr. McNEVIN: This is entirely out of order.

Mr. DOUGLAS (*Weyburn*): I am speaking to the terms of the reference, and the terms of the reference specify what can be discussed. I protest that when the question was raised in the house the minister stated that we would have a full investigation, and neither of the government spokesmen here took any exception to extending the terms of the reference. I maintain that this committee itself is restricting its own terms of reference, and it is not going to make a very effective investigation.

The CHAIRMAN: The committee has done it.

Hon. Mr. GARDINER: Mr. Chairman, as one who voted to restrict, I want to make the matter perfectly clear as I understood it and as every member of this committee understood it. The minister has no objection whatsoever, and I do not think any member of the government has, to the most thorough investigation possible being made into the handling of wheat by the wheat board or by any other persons who are handling wheat in Canada. I do not think that parliament or the wheat board has any objection to the very fullest possible investigation being conducted into all the operations in connection with grain in Canada. But the chairman of the wheat board has indicated to this committee, as has the minister, that there is a fully audited account down to the 31st day of July that covers all the activities of the wheat board down to that date and that that is available to everyone and available to this committee and can be made the basis of any investigation. The chairman has already indicated that there will not be another fully audited account until the 31st of July next which can also be brought before the agriculture committee at the next meeting of the house, if necessary, and can be gone into; but if this committee were to direct now that the investigation be extended down to the 31st day of December that means the putting of auditors on the accounts of the wheat board and making a special audit down to the 31st day of December, not to the 31st day of July, to cover the whole year, and that would merely be, in so far as concerns those of us who understand the operations of the wheat board and any changes

that have made in it since the 31st of July, a useless expenditure of money when money is very valuable. Putting auditors onto accounts now and making a special audit to the 31st of December is not necessary. The chairman of the board has already said that if any questions are asked in this committee which can be answered with the information available covering that period, even beyond the 31st of July, he is willing to give the information after the Easter recess. There is going to be no restriction whatsoever. The only thing the vote meant was that this committee is not prepared to put the government to the expense of making a special audit of the accounts between the 31st of July and the 31st of December which so far as I know means nothing at all in connection with this investigation; and we so vote.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, the interpretation of the amendment by the Minister of Agriculture is largely drawn from his own imagination rather than from the words of the amendment which says that the committee shall have power to inquire into the operations of the wheat board up to and including the 31st of December, 1941. It does not necessarily put the government to the expense of making an audit. The committee would have an audit of the books up to the 31st of December for any particular matter into which this committee decided to inquire, but the amendment only gives this committee power to inquire and does not say that the committee would require an audit of all the books up to the 31st of December.

Mr. ROSS (*Souris*): Is there no internal audit during the year?

Mr. McIVOR: Yes there is, but I want to put this to the committee, arising out of a remark made by Mr. Perley. He said: You have filed with the minister—as I recall his remark—weekly audit reports. As far as I am concerned you can have all the audit reports up to the 31st of December if the government feel they should be available to you, but I know this that the minute Mr. Perley gets that report he is going to say that that is insufficient and he wants an explanation of that figure and an explanation of the next figure, and it means turning the auditors into the board's books to get all of this information. I want to make it clear that we are not hiding anything, but I want to put the responsibility for this with the committee. That is where the responsibility should be; not with me.

The CHAIRMAN: Gentlemen, I simply point out again that the committee is getting much more through this procedure than they would have got if they had dealt with the reference that was made to it by the house; this is much more far-reaching than dealing with the bill. Now, I will call for the vote on the motion.

On division the motion was carried.

The CHAIRMAN: Shall I report the bill? Carried.

The Committee adjourned at 1 o'clock p.m. to meet at the call of the chair.

(This concludes the evidence taken on Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935.)

Doc
CA1
XC12
-A48

SESSION 1942
(HOUSE OF COMMONS)

Government
Publications

(STANDING COMMITTEE)

ON

(AGRICULTURE AND COLONIZATION)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

WEDNESDAY, MAY 13, 1942

Reference

X REPORTS OF CANADIAN WHEAT BOARD X
FOR CROP YEARS 1939-40 AND 1940-41

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, February 19, 1942.

Resolved,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

Messrs: Authier, Aylesworth, Bertrand (*Prescott*), Black, (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Cloutier, Cruickshank, Davidson, Dechene, Desmond, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Hallé, Hatfield, Henderson, Lafontaine, Lalonde, Lapointe (*Lotbiniere*), Leader, Leclerc, Leger, Lizotte, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*) Matthews, Mullins, Nielsen (Mrs.), Perley, Poirier, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Rowe, Senn, Soper, Sylvestre, Turgeon, Tustin, Ward, Weir, Wright—60. (Quorum 20.)

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

THURSDAY, March 26, 1942.

Ordered,—That the Reports of the Canadian Wheat Board tabled in the House of Commons for the Crop Years 1939-40 and 1940-41, be referred to the said Committee; that authority be granted to print, from day to day, 500 copies in English and 200 copies in French of minutes of proceedings and evidence to be taken by the said Committee on the said Reports; and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

FRIDAY, March 27, 1942.

Ordered,—That the name of Mr. Graham be substituted for that of Mr. Turgeon on the said Committee.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

WEDNESDAY, May 13, 1942.

Ordered,—That the said Committee be empowered to sit while the House is sitting.

Ordered,—That the quorum of the said Committee be reduced from 20 to 15 members, and that Standing Order 63 (1) (f) be suspended in relation thereto.

Attest.

C. W. BOYCE,

For Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, May 13, 1942.

The Standing Committee on Agriculture and Colonization begs leave to present the following as a

FIFTH REPORT

Your Committee requests:—

1. That it be empowered to sit while the House is sitting.
2. That the quorum be reduced from 20 to 15 members, and that Standing Order 63 (1) (f) be suspended in relation thereto.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 13, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Graham, Hatfield, Henderson, Lafontaine, Lalonde, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Matthews Mullins, Perley, Poirier, Quelch, Rhéaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Soper, Sylvestre, Tustin, Ward, Weir, Wright.—45.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board: Mr. George McIvor, Chief Commissioner; Mr. C. Gordon Smith, Assistant Chief Commissioner; Mr. W. Charles Folliott, Commissioner; Dr. T. W. Grindley, Secretary; Mr. R. C. Findlay, Comptroller; and Mr. C. B. Davidson, Statistician.

The Order of Reference was then read by the Clerk and the minutes of the previous meeting were read and adopted.

The Clerk of the Committee was instructed to swear all the officials of the Wheat Board and this was done, with the exception of Mr. Davidson.

The Report of the Steering Committee was presented by the Chairman and was adopted.

On motion of Mr. Ross (*Moose Jaw*),

Resolved—That the Committee do report to the House and ask that it be given leave to sit while the House is sitting and that its quorum be reduced from twenty to fifteen.

On motion of Mr. Douglas (*Weyburn*),

Resolved—That the Committee reconvene this day at 4 p.m., if permission to sit is granted by the House.

On motion of Mr. Donnelly,

Resolved—That the Clerk of the Committee do write and invite Hon. R. B. Hanson, M.P., Leader of the Opposition, to attend before this Committee.

Discussion followed, and on the question being put it was passed in the affirmative: Yeas, 25, Nays, 8.

Mr. George McIvor, Chief Commissioner of the Canadian Wheat Board, was recalled and examined on the operations of the Board.

At 1 o'clock, p.m., the Committee adjourned to meet again at 4.00 p.m. this day.

Afternoon Session

The Committee resumed at 4.00 p.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Furniss, Golding, Graham, Henderson, Leclerc, Leger, McCubbin, McNevin (*Victoria, Ont.*), Mrs. Nielsen, Perley, Quelch, Rennie, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Tustin, Weir, Wright.—26.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the same officials of the Canadian Wheat Board as were in attendance at this morning's sitting.

Mr. George McIvor, Chairman of the Canadian Wheat Board, again took the stand and was further examined.

Motion:

Mr. Diefenbaker moved, seconded by Mr. Ross (*Souris*)—That all letters and communications which have passed between the Cereals Division and the British Government with the Department of Trade and Commerce and/or the Wheat Board in reference to the continuance of the present system of marketing wheat be produced before the Committee.

After discussion, Mr. Diefenbaker agreed that his motion should stand for further consideration.

The Committee adjourned to meet again on Thursday, May 14, at 11.00 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 13, 1942.

The Standing Committee on Agriculture and Colonization met at 11.00 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, the members of the Wheat Board are present and will give evidence and answer questions from time to time. At the earlier session of the committee Mr. George McIvor, the Chief Commissioner, was called and sworn. What is the committee's pleasure with respect to the other witnesses?

Mr. DIEFENBAKER: I suggest that they should all be sworn.

The CHAIRMAN: I think we should call all the members of the Wheat Board and swear them now so that they will always be available. May I therefore introduce to the committee the remaining members of the Canadian Wheat Board: Mr. George McIvor, Chief Commissioner; Mr. C. Gordon Smith, Assistant Chief Commissioner; Mr. W. Charles Folliott, Commissioner; Dr. T. W. Grindley, Secretary; Mr. R. C. Findlay, Comptroller, and Mr. C. B. Davidson, Statistician.

I ask the clerk to swear these gentlemen as witnesses. (Whereupon the aforesaid witnesses were duly sworn.)

The CHAIRMAN: Having disposed of these preliminaries I propose that we get under way. When I showed Mr. McIvor the suggested agenda he said he thought, after perusing it, that if he were permitted to give a general statement as to the Wheat Board's method of operation and the manner in which it actually handles wheat and other matters that are partially covered in this proposed agenda, he might be able to clear up a lot of questions in the minds of many of the members. It is understood, of course, that these witnesses will be called before the committee to give any evidence they desire. What is the committee's reaction in that regard? That is, having regard to the order of reference that has been made and having regard to the suggested agenda which the steering committee has submitted to this committee, would this committee in turn be prepared to permit Mr. McIvor to come forward and make a general statement of the Wheat Board's *modus operandi*. (Agreed.)

Mr. GEORGE McIVOR called.

The WITNESS: Mr. Chairman, Hon. Mr. MacKinnon, and gentlemen: I do not know whether I can qualify for that ten dollar word that Mr. Weir used a moment ago (*modus operandi*) but in discussing this matter with one or two members there was a feeling that if we could give an outline of the Board's method of operation it might serve the purpose of clearing up the picture in respect to the method of handling wheat under the conditions that existed during the period of time to which this inquiry is directed. I recall to mind a few years ago appearing before the Saskatchewan Pool delegates, and after spending a whole afternoon on the subject of futures, I asked if there was anyone else who had any questions to ask, and somebody got up and said the whole thing was just as clear as mud as far as he was concerned!

You gentlemen are very familiar with the Canadian Wheat Board Act. This Act was as the result of the committee meetings of 1935. The Act

was set up providing for the handling of wheat by the Canadian Wheat Board. It charges the Board with a number of very important duties. It says:—

The Board shall undertake the marketing of wheat in inter-provincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—

- (a) to receive and take delivery of wheat for marketing as offered by the producers thereof;
- (b) to buy and sell wheat: Provided that no wheat shall be purchased by the Board except from the producers thereof;
- (c) to store and transport wheat;
- (d) to operate elevators, either directly or by means of agents, and subject to the provisions of The Canada Grain Act or any other statute or law, to pay such agents commissions, storage and other charges, remuneration or compensation as may be agreed upon, with the approval of the Board of Grain Commissioners;
- (e) to pay to producers delivering wheat at the time of delivery or at any time thereafter as may be agreed upon such fixed price per bushel, according to grade or quality or place of delivery, as may be determined by the Board with the approval of the Governor in Council; and to issue to such producers when such wheat is purchased certificates indicating the number of bushels purchased, the grade, quality and the price, . . .

In the case of No. 1 Manitoba Northern, the price is 70 cents. Now, of course under the change in the Act that price will be 90 cents.

Going back to the country operations of the Board, the Board must provide according to this Act by means of agents or otherwise the facilities for producers to deliver their wheat to the Board, and that is done by means of a handling contract. Now, as I understand the question of the handling contract will come up later on in the proceedings, it is not my intention at this stage to deal with the terms of this handling contract. That no doubt will be dealt with fully later on. We are also required to pay to producers through these agents a fixed price for wheat, and that price in the case of No. 1 Northern this coming year will be 90 cents; up to the present time it has been 70 cents. We are required to make that payment on the basis of either Fort William or Vancouver, whichever has the lowest freight rates with regard to the shipment of wheat.

As you all know, No. 1 Northern is not the only grade of wheat; there are a lot of other grades. The Board must fix a spread for the other grades in what they can determine as closely as possible to be the proper relationship between the grades. That is a very difficult task, and it is a case of judgment. You have to get some idea about the grades there are in the crop and then you have to try to project the position twelve months ahead to endeavour to get some idea of what the proper price equivalent should be between one grade and another. That is a very difficult task. Sometimes we err on the high side and sometimes we err on the low side, because there is no way in which we can determine twelve months ahead as to what those grades will actually bring in the market.

Then having provided the means for the receipt of the wheat at country points through a handling contract the wheat is then held in country elevators subject to orders from the Board. That is a very important point, because I think the impression has been left with some people that the elevator companies

take that wheat in and ship it when it suits them. That is not the case. The Board order that wheat forward to the head of the lakes when there is a market and when it can be taken care of at the head of the lakes, or to the mills or to interior government elevators or to other points.

Now, the elevator companies, and included are the pools and united grain growers, make reports to the Canadian Wheat Board as to the amount of wheat they receive as agents of the Board on behalf of the producer—

Mr. DOUGLAS: Weekly?

Mr. McIVOR: Daily.

Mr. ROSS (*Moose Jaw*): The elevator agent when he took in that wheat issued a certificate?

The WITNESS: A participation certificate, yes.

Mr. SENN: As an easterner may I ask this: You say that the basis of the price is at Fort William, and that the price to the producer would be much lower. Could you give us an idea of the range between the producer's price and the price at Fort William.—A. Well, if it is satisfactory I would prefer to deal with that when the handling contract comes up. I could give it to you now, but I think we can cover the whole range at that time.

The wheat is shipped under instructions from the Board by the elevator companies either to Fort William, Vancouver, or the interior government elevators or mills, depending upon where the Board requires it. Now, when it reaches Fort William the elevator companies are paid; and again, I would like to deal with the mechanics of how that is done when the elevator handling contract is dealt with.

This wheat then is available for sale, and it is sold to the exporters or the millers or somebody who is in the market for wheat, and almost invariably a future is exchanged. I want to make that point very clear because there have been some discussions on it. The future is exchanged for the same quantity that is sold. In other words, it is the custom of the Board to dispose of its wheat at Fort William and take back the same quantity of wheat in a forward position in the form of a future.

By Mr. Graham:

Q. You get money for it?—A. Yes, we are paid for the actual cash wheat.

By Mr. Perley:

Q. That is after it is in Fort William and ready for export.—A. Yes.

By Mr. Wright:

Q. What is the extent of the future contract, for one month or for six months?—A. The future contracts might be October, November, December, May or July.

Q. What is the determining factor as to which method you adopt?—A. Probably it would be related to the time of the year in which the cash wheat is sold.

By Mr. Donnelly:

Q. It would depend on the futures the man held?—A. No; not necessarily, Dr. Donnelly. That would be a matter of the Board deciding what future they wished to exchange.

By Mr. Perley:

Q. When you sell the cash wheat to an exporter you buy back futures?—A. We exchange.

Q. You exchange another future?—A. We sell the cash wheat and take back in exchange a similar quantity of futures.

By Mr. Diefenbaker:

Q. How many times is that process continued through the year?—A. I will be glad to deal with that later on.

Q. I wonder if you could answer that question now?—A. No; I won't answer it now, I will deal with it later on. I am dealing entirely with the mechanics of the operation.

By Mr. Perley:

Q. To get it clear, the daily report shows certain agents in the country having bought 2,000 bushels of wheat for account of the Board, and you get your report the next morning?—A. Yes.

Q. Do you not sell a future then?—A. No, sir; not necessarily.

Q. It just remains in the elevator until you order it out, and there is no future contract until it is at Fort William?—A. No; that does not altogether apply. You might dispose of it and take back the futures if it is sold to a mill.

Q. That is the same thing.—A. No; it is not the same thing. If you sold to a mill you would be selling wheat for forward shipment and exchanging a future; and in the other case you would be sending it to Fort William and exchanging a future.

By Mr. Ross (Souris):

Q. You do not purchase futures to cover the daily purchases of grain through the country?—A. No.

Mr. GRAHAM: I suggest that the best interests of the committee would be served by permitting the witness to complete his statement.

The CHAIRMAN: Yes, that is what I intended when I made the first suggestion.

Mr. DIEFENBAKER: I would like to say I think that is the correct procedure, but I did not appreciate the type of answer Mr. McIvor gave to me: "No; I won't answer it now." That is hardly co-operative, I suggest.

The WITNESS: I shall be very pleased to change the word "won't" to the word "prefer". I assure you I did not intend the word "won't" to convey a refusal to answer your question.

Mr. DIEFENBAKER: Thank you very much.

The CHAIRMAN: Proceed, Mr. McIvor.

Mr. McIVOR: The wheat is at Fort William and the Board disposes of this wheat to exporters or millers or others, and they exchange futures. The wheat is shipped down, probably to eastern Canada, perhaps to Montreal or to Port Colborne, or to Toronto, or to the Bay Ports, and it is held in readiness for sale either to the market overseas or to the domestic mills. Under the present conditions the chief buyer of wheat is the Cereals Import Committee of the Ministry of Food, and their method of purchasing is by what might be termed block contracts in the futures markets. That is, they might buy, say, 40 million bushels of October wheat and a similar quantity of December wheat and a similar quantity of May wheat, whatever suits them in regard to their shipments.

Now, on our books there is a sale made to the Cereals Import Committee of the Ministry of Food for this quantity of wheat; and remember that in the meantime the wheat has been sent forward to the seaboard or to a saleable position by exporters. The exporters are offering daily to the Cereals Import Committee quantities of wheat: No. 1 Northern, No. 2 Northern, No. 3 Northern, whichever the case may be. The Cereals Import Committee accept these offers if they see fit and advise the Board to give up on their behalf futures which have been sold to the Cereals Import Committee and which are shown on the books of the Wheat Board as a sale to the Ministry of Food. That fixes the price for the actual sale of the cash wheat; in other words it is the basis of the price; the price is based on the original sale price of the futures.

Now, an agent in Montreal (and I want to make it clear that this man is purely an agent of the Cereals Import Committee for the purpose of looking after the loading of the steamers) gets word of the boats that are coming in to load this wheat from the Cereals Import Committee and he informs the exporters of these boats, and the exporters load the wheat in accordance with the contract that they have made with the Cereals Import Committee. That, in brief, deals with the method employed by the Cereals Import Committee for the handling of the wheat.

You have also a considerable quantity of business to neutral countries, probably 30 million or 35 million bushels a year. These neutral countries direct their enquiries to the various exporters. The exporters offer the wheat, and it is sold to them under present conditions probably f.o.b. the steamer at the seaboard.

Also you have along the line the flour mills who are engaged in the business of milling wheat for shipment to the Ministry of Food and to others, and they purchase wheat either in an eastern position or at Fort William and move it down to the eastern position, and they grind it into flour and make their offers to the Cereals Import Committee. In the case of flour also the Cereals Import Committee instruct the Wheat Board to give up the futures, which are their futures that they have purchased, to the flour mills, and by so doing the price is fixed.

Now, I think, in a general way that gives an outline of the mechanics of the operation, Mr. Chairman.

The CHAIRMAN: I am sure the committee is grateful to Mr. McIvor for his explanation of the procedure that is followed in carrying the wheat through from the producer to the actual purchaser of it or the man who is going to use it. Are there any questions you desire to ask?

Mr. PERLEY: Should not Mr. McIvor be permitted to finish any other phase he intends to deal with, before questions are asked?

Mr. DOUGLAS: Would it not be better for Mr. McIvor to make his whole general statement now?

The WITNESS: I have nothing more to say unless you desire that I should outline the mechanics.

The CHAIRMAN: Mr. McIvor has nothing further to add with respect to this particular phase. I presume that the other matters that will be dealt with will be discussed when we call them on the agenda.

By Dr. Donnelly:

Q. Have the Cereals Import Committee any representative in this country who sells futures to them? A. They are sold to them by the board.

Q. They contact you direct?—A. Yes.

Q. And do the mills here contact you in the same way to buy their futures, or do they buy them in the open market, or how?—A. In regard to cereals?

Q. Local mills?—A. Locals mills buy their futures in the open market.

Q. Do the Cereals Import Committee come to you and buy their futures from you?—A. Yes.

Q. And when they buy their wheat they exchange those futures for the wheat they have taken, just the same as the local elevator companies?—A. Yes.

Q. And they deal in practically the same way, you might say, as the local mills? The local mills govern the price of their flour entirely on what they pay for their future wheat.—A. That is right; that is the basis of their price.

Q. They know what the price of flour is going to be five or six or ten months from now because they have all these futures that they have bought up and are going to mill and make into flour?—A. You are referring now to domestic business?

Q. Yes?—A. The customary procedure is for them to offer out their flour to the bakers, and so on, and then they cover their futures. Then after they make a sale of the flour they exchange those futures probably with the Wheat Board for actual wheat.

Q. They go out in the country and sell the flour at a price based on the futures?—A. Yes.

Q. And in the same way the price of flour in England is governed by what the Cereals Import Board pay for their futures in this country?—A. Plus the cost of getting it over to England.

Q. Yes, but that is the governing factor in putting it up and down, coupled with the cost of putting it over there?—A. Yes.

Q. And that is the same thing as happened years ago in the elevators in the country: When the elevators years ago were running ordinarily the Grain Exchange or the elevator companies would buy in so much today, and the next morning they would wire to their representative on the Grain Exchange that they had bought so much wheat, and then they would sell the wheat?—A. They would hedge it.

Q. And this is practically the same thing? It helps to keep the spread between cash wheat and futures wheat down.—A. The policy of the mills in the old days to which you refer probably would be to buy the wheat in the pit at the same time that the elevator companies on behalf of the farmers would be hedging it. Very likely that would be part of the buying—

Q. And originally the necessity of having the Grain Exchange, as was illustrated by the Stamp Commission, was to help the farmer because a farmer would sell his wheat today and might not be able to deliver it for two months to the elevator company, so they would say: "By two months it will go up 10 cents or 15 cents, and I have to have a spread between cash wheat and future wheat."—A. I was not in the trade in the old days, but I am told that in the old days before the futures market there was a wider spread than that which prevailed after the futures market was established.

Mr. DOUGLAS (Weyburn): Is Dr. Donnelly giving us a brief for the Grain Exchange or is he examining the witness?

By Mr. Ross (Moose Jaw):

Q. You said that between 30,000,000 and 35,000,000 bushels of our wheat was sold by exporters to neutral countries?—A. Yes.

Q. And about 50,000,000 bushels for domestic consumption?—A. About 45,000,000 for human consumption.

Q. For human consumption?—A. Yes.

Q. Have you any figure on the amount of wheat delivered that is used otherwise?—A. Of wheat delivered?

Q. Yes?—A. I will get that figure for you, Mr. Ross.

Q. What I want is the amount of wheat actually sold to the Cereals Import Board and the amount of wheat sold to us.—A. The Cereals Import Committee or the British Ministry of Food are purchasing practically all of their supplies from Canada, and the total amount that they purchase over the year in the form of wheat and flour would be somewhere around 200,000,000 bushels; they are purchasing practically all their wheat from Canada at the present time.

Q. If the figure is 200,000,000 bushels for the Cereals Import Board, the balance would be between 80,000,000 and 100,000,000 bushels of wheat sold in Canada for all purposes?—A. Probably 100,000,000.

Q. Pretty nearly a proportion of one-third and two-thirds?—A. Yes.

By Mr. Leger:

Q. Could you explain how it is that before the war firms in New Brunswick could buy flour from England cheaper than from Canadian mills?—A. Well, I am not sure what the reason would be, but I know that prior to the war there

was some very cheap wheat sold by France and other countries to Great Britain at very much lower than our prices and it was a different quality of wheat. I do not know whether that is the reason. What type of flour would it be, ordinary hard wheat flour?

Q. I could not answer that.—A. (No response).

By Mr. Donnelly:

Q. Would it not be on account of the freight rates?—A. Frankly I am not sure of the explanation.

By Mr. Senn:

Q. You mentioned the word "exporter" a number of times. What is the status of the exporter? Does he come in as the middleman between the board and the British Cereals Import Board?—A. He purchases the wheat at the head of the lakes and transports it to the seaboard and sells it to the British Cereals Import Committee.

Q. Is it necessary to have an importer in there?—A. The British Imported Cereals Division of the Ministry of Food have already stated that they are very satisfied with the present system and want the present machinery maintained.

By Mr. Diefenbaker:

Q. Would that be in the form of a letter?—A. Well, I think it was a cable.

Q. That is the one that was tabled in the house?—A. Yes.

By Mr. Perley:

Q. At the outset in 1936 did not the British Cereals Import Committee or whoever acted for the British government then suggest that they close the market?—A. In 1936 they were not in existence.

Q. I mean as soon as the war broke out, in 1939?—A. No; I do not think so.

Q. That is, as soon as the war broke out when they closed the market in Great Britain did not they ask that the market in Winnipeg be closed?—A. They were very well satisfied.

Q. For a time did not they ask it to be closed? Mr. Euler gave us to understand in the house that for about three months they were pressing for the market to be closed in Winnipeg, and then there was some arrangement made whereby they were satisfied?—A. You may have to ask Mr. Euler for the answer to that question.

Q. You ought to know. You were in charge of the board?—A. I have nothing to do with closing the market.

Q. You were operating for the Canadian Wheat Board?—A. Yes, but the question of policy involved in closing the market is not in my field.

Q. Was there not a representation by the British government during the fall of 1939 to close the market?—A. I do not know.

Q. Is there any correspondence with respect to that period?—A. I do not know.

Mr. PERLEY: Does the minister know?

Hon. Mr. MACKINNON: I have no such correspondence. No such request was brought to my attention, nor do I know that there has been any such request. I want to be very definite on that. I never heard that such a request was made in any way.

Mr. PERLEY: Mr. Euler was the minister at the time, of course.

The CHAIRMAN: Where did Mr. Euler indicate that?

Mr. PERLEY: In the house, in answer to myself.

Mr. DONNELLY: In the fall of 1939?

Mr. PERLEY: It may have been during that winter session. I think I can find it in the record.

By Mr. Diefenbaker:

Q. In any event, Mr. McIvor, you swear that the matter was never brought to your attention?—A. I do not recall it.

Q. That is so important that you would remember it?—A. No; I do not know that I would.

By Mr. Perley:

Q. Could not that part of the cable be given to us?—A. It was given to you in the house, was it not?

Q. No; other than the statement of the minister. There were other matters in the cable of a confidential nature.—A. I think the cable was read into *Hansard*.

By Mr. Donnelly:

Q. Would they be sending cables to you, Mr. McIvor, or would they go to the minister?—A. They would go to the minister. To what cable do you refer, Mr. Perley?

By Mr. Perley:

Q. When we asked the minister with respect to the price he said this information was in a cable that contained other matters of a confidential nature which he could not reveal.—A. You asked me, Mr. MacKinnon, to cable on behalf of the government, and the reply was directed to me?

Hon. Mr. MACKINNON: That was during my tenure of office. I thought you were asking about some cable that arrived in 1939.

Mr. PERLEY: I was asking about the first three months after the war. I asked Mr. McIvor if he recalled that when the British government closed the market they suggested that the same thing take place in Winnipeg.

The WITNESS: As far as I am aware there was no such request made by the British government.

By Mr. Perley:

Q. Then you say there is no representative of the British Cereals Import Committee in Canada except the shipping agent?—A. Yes.

Q. I suppose you do not care to give his name?—A. Oh, yes: Thomson and Earle.

Q. The man's name is Mr. Gowans, is it not?—A. Yes.

Q. And he is the forwarding agent?—A. He is the shipping and forwarding agent.

Q. I thought there was another gentleman there. Have not the British government a direct representative in Montreal looking after shipping for the Ministry of Shipping?—A. As far as the Cereals Import Committee are concerned the man who looks after their shipping is Mr. Gowans of Thomson and Earle.

Q. He is the forwarding agent who is supposed to get the wheat?—A. Yes.

Q. But is there not another man who looks after the shipping business and informs him where the ships are?—A. I think so; I think the British Ministry of Shipping have an agent in Montreal.

Q. But he has nothing to do with futures or anything like that?—A. No.

Q. Why is it necessary to have any futures trading or exporters in it at all?—A. Well, strictly from the standpoint of the operations it is apparently much more satisfactory to the British Ministry of Food; and certainly from the standpoint of the Wheat Board it is more economical.

Q. Then when Mr. Gowans gets the information that there are ships from the representative of the Ministry of Shipping he has to get the wheat, and you say he has to instruct you or somebody else to buy some futures?—A. No. I did not say that.

Q. Then where does he get the wheat from?—A. I said that in the first instance the Canadian Wheat Board sells the Import Cereals Division of the British Ministry of Food a round lot of wheat.

By Mr. Ward:

Q. On the open market?—A. No; direct. Now, the exporters carry the wheat from Fort William to the seaboard, and they offer the various grades of wheat overnight to the Import Cereals Division of the Ministry of Food. The Import Cereals Division make their purchases as they see fit, and they tell the Wheat Board to give to these exporters part of the futures which have already been sold to the Import Cereals Division, thereby reducing the quantities of their purchases.

By Mr. Perley:

Q. Who deals for the British Cereals Import Committee in these futures?—A. They deal direct.

Q. With whom?—A. With the Wheat Board.

Q. Then you must have somebody clearing a trade through the clearing house representing that sale?—A. Yes, but the British Import Cereals Division have nothing to do with that. They merely tell us to give these futures up to the exporters from whom they purchased their cash wheat.

By Mr. Wright:

Q. And if there is a difference in price, what happens?—A. They pay us the difference.

The CHAIRMAN: May I suggest that each member speak a little louder.

By Mr. Perley:

Q. Coming back to the flour mills, you say the Imported Cereals Division instructs the Wheat Board to give up the futures to the mills?—A. That is right.

Q. In sufficient quantity to grind flour to fill an order to Britain?—A. The mills already probably have put their wheat in saleable positions in eastern Canada, in a grinding position in eastern Canada, and they grind the wheat into flour and offer it overnight to the Overseas Imported Cereals Division; and when they purchase the flour from the mills they tell the Wheat Board to give to the mills the amount of wheat against which they have ground the flour.

Q. Then they practically hold all the wheat that the Wheat Board have? They can instruct the Wheat Board to give the wheat to Tom, Dick, or Harry, exporters, mills, or anybody else?—A. They would not instruct the Wheat Board to give it to anybody except those from whom they purchased the actual wheat or flour; there would be no object in doing so.

Q. If the mill had wheat that they purchased from the Wheat Board and made a sale of flour to the British people and did not require wheat from the Wheat Board and ground their own, what about that?—A. Do you mean that they would have it unhedged?

Q. I mean they have bought wheat and possibly have it unhedged. The millers independently of any board have their own wheat.—A. They probably have the wheat on hand and have it hedged on the futures market, say at Port Colborne?

Q. Sold for future delivery, that is the hedge?—A. Probably No. 1 Northern wheat on hand at Port Colborne, which they have hedged into May, and they would be making their offers overnight to the Imported Cereals Division and the Imported Cereals Division would accept, say, 2,000 barrels of flour—

Q. In that case, then, they sell their hedge and they are selling their wheat in flour. Now, as I understand it, they should not do that. The miller is in a different position from the ordinary exporter in hedging in the sale of flour?—A. No; the mechanics are exactly the same.

Q. He sells the flour to the British people, and it requires so many million bushels of wheat to grind the flour. What is the first deal the miller makes after that?—A. It all depends on whom he is dealing with—

Q. He has not any wheat at all?—A. Do you mind if I finish. If you are talking about the Imported Cereals Division the miller has no wheat, we will say, using your own illustration, but the Wheat Board have on hand millions of bushels of futures which are owned by the Imported Cereals Division because they have purchased those figures from the Board. They say to the miller: "We want to buy 10,000 barrels of flour," and the price is fixed, the basis is the futures price. The miller takes back from the Imported Cereals Division through the Wheat Board, because the Wheat Board have this wheat on hand for the Imported Cereals Division, an equivalent quantity of wheat against the flour that was sold. Now, to go back for a moment and perhaps clear up the question you have asked: The miller has probably already shipped down to his mill at Port Colborne four million, five million or ten million bushels of wheat against which he has a hedge in the May future. So that after he has sold his flour to the Imported Cereals Division he is even on that particular quantity of flour he has sold because he has got back his future which was the property of the Imported Cereals Division to the extent of the amount of flour he has sold.

Q. I cannot understand that exactly either, because I think if the miller has his own wheat he could grind it without having to deal in futures at all. The Imported Cereals Division of the Board are forcing the miller into trading.—

A. Not at all. The Imported Cereals Division of the British government have contracted ahead to buy a certain quantity of wheat.

Q. Contracted with whom?—A. With the Wheat Board in the futures market. They do not, to my knowledge, buy wheat outside of that contract. They have already arranged that contract, probably with their treasury and other officials. That fixes the basis of their prices. And in trading with the miller they would say to the miller: "Now, we have already fixed the basis of the price of this wheat."

Q. What do they say to the miller: "We want you to grind our wheat?"—A. No; they do not say that at all. They say: "We have already fixed the basis of the price of this wheat. We want you to take from the Wheat Board a certain quantity of futures which fixes the price for the actual flour they sell."

Q. In other words, the miller is now a grister for the British government.—A. No.

Q. They tell him where to get the wheat.—A. Oh, no.

Q. He is just a grister.—A. Oh, no; he is not.

By Mr. Ward:

Q. Would any milling company buy one million bushels of wheat from the producers without hedging if they could? A.—I am sure their banker would not let them, Mr. Ward.

By Mr. Ross (Moose Jaw):

Q. Mr. McIvor, suppose the Cereals Import Board purchased 10,000 barrels of flour from a miller in Canada, they can either have the wheat delivered by the

Board to that miller, or they can get the Board to trade back futures against wheat held by the miller in a similar position.—A. Would you mind asking that question again, please?

Q. If a miller had no wheat at all the Imported Cereals Division could ask your Board to deliver sufficient wheat to the miller to be ground and shipped overseas for them?—A. In the first place the wheat we have for them are futures. Say we sold them May futures and they are the purchasers of May futures, we are under their instructions to wait until May and get delivery of wheat on the futures and turn it over to any mill that the Imported Cereals Division directs, but that is not the way they want to handle their business.

Q. They handle it altogether on futures?—A. Yes.

By Mr. Perley:

Q. Mr. Ward substantiates exactly what I said, that the millers are now gristers for the Board or the Imported Cereals Division. They have to grind that wheat.—A. No.

Q. Under ordinary circumstances here is the miller who offers flour for sale over night or at any time, and he gets an acceptance of an offer which requires say one million bushels of wheat to be ground?—A. Yes.

Q. Does he not in ordinary times immediately or the next morning after he gets acceptance of that order by cable give some broker an order to buy one million bushels of wheat, and as the broker buys the futures he then gets another broker to get the cash wheat for him, and as he gets the cash wheat he exchanges the futures?—A. Under ordinary conditions?

Q. Yes. A.—Yes.

Q. Then explain why we have to have this different system now?—A. Because the Imported Cereals Division prefer to buy their wheat in a round quantity in the form of futures and instead of going into the pit, as you suggested in your illustration, daily or forcing the miller to go in there to cover his flour sales, they tell the Wheat Board to give up to the miller a certain quantity of wheat which fixes the basis of the price of the flour they buy.

By Mr. Ross (Souris):

Q. Wheat futures?—A. Yes.

By Mr. Perley:

Q. Then that eliminates the first option trading of the miller?—A. Not necessarily. A miller may have already shipped and probably would have shipped his wheat forward to his mill and had it hedged in the futures market.

Q. He is not grinding his own wheat in this case?—A. No; but he is putting his wheat in position where he offers it for sale to anyone whether it is the Imported Cereals Division or Portugal or anybody else. He is a miller.

Q. He has not enough wheat to fill this order?—A. He may have.

Q. He may have not?—A. One mill cannot fill the whole quantity that the wheat board has sold, but he has enough actual wheat apparently in position to fill.

Q. His own wheat?—A. Yes, he has the wheat purchased and hedged in the Winnipeg market.

Q. Then why has he to accept it from the Board?

Mr. Ross (*Souris*): He exchanges it.

By Mr. Perley:

Q. He insists on getting rid of the Board's wheat?—A. Oh, no. Let us say he has purchased one million bushels of No. 1 Northern and he has exchanged it for May, has purchased No. 1 Northern and given up the May: He has the wheat at Port Colborne. He does not know what orders he is going to get, whether

they come from the Imported Cereals Division or who they come from, and the Imported Cereals Division give him an order for a sufficient quantity of flour to use up that one million bushels, we will say, and they say to him: "You take from the Board one million bushels of futures," which closes out his futures position. You sell to the Imported Cereals Division the equivalent to one million bushels in the form of flour, which disposes of his actual wheat; so that so far as that transaction is concerned that is finished.

Q. Take the wheat he has at Port Colborne?

The CHAIRMAN: His own wheat or Board wheat?

Mr. PERLEY: What the witness said he has hedged.

Q. He takes a contract for a neutral exporter of flour and does not want to use that wheat?—A. After he accepts the contract for neutral business he then purchases an additional quantity of wheat and moves it forward to his mills from Fort William to take care of his neutral business. When he has purchased that quantity of wheat he is short in the May futures against that quantity, and he makes an exchange when he purchases the actual wheat. He sends his trader into the pit and buys in an equivalent amount to cover his sale to the neutral countries. He is not exchanging with the Board unless we sold it.

By Mr. Ross (Souris):

Q. The first deal does not go through, does it?—A. In the first deal he probably purchases from the board to fill this neutral business 300,000 bushels of No. 1 Northern wheat and gives back to the board 300,000 bushels of May futures, and the board may elect to sell out that 300,000 bushels of May futures the next day if they think it is good business; but in the meantime in order to cover his position, having made a sale of flour he would enter the market and buy in 300,000 bushels of futures.

Q. If we get to the end of May and the board is already sold out and they have not any futures, what happens? They could not give the futures to the miller?—A. But they have already disposed of that 300,000 bushels, on the illustration you gave. They have sold out the 300,000 bushels on the market.

Q. I cannot see it. There is one future deal you certainly can eliminate.—A. How?

Q. The miller's deals in exporting his flour.—A. But the Import Cereals Division say they prefer to purchase futures in round lot quantities from the board.

Q. Then it is just an exchange? It does not go through the clearing house?—A. It goes through the clearing house.

Q. How many brokers would you use in the transaction?—A. I do not know; we use a lot of brokers.

Q. You can tell us that later?—A. Yes.

By Mr. Wright:

Q. How many brokers are paid commission from the time the wheat leaves the farmer's hands until the time the Import Cereals Board finally gets the actual wheat in their hands, and what is the amount of each one of those brokerages or commissions?—A. We have those figures, Mr. Wright, that we shall come to later.

By Mr. Donnelly:

Q. I asked you to present those figures?—A. Yes.

The CHAIRMAN: Those figures are being kept in mind. If the members of the committee have any further questions to ask this gentleman, it would be preferable to do so now.

By Mr. Douglas (Weyburn):

Q. I would like you, Mr. McIvor, to take that general movement of the wheat again and explain one or two things that are not clear to me. I understood that when the wheat comes to the head of the lakes, the Wheat Board sell it, sell cash wheat?—A. Yes.

Q. On the open market?—A. We would sell it through a broker to whoever wishes to buy it.

Q. On the exchange?—A. Yes.

Q. And take futures for it?—A. Yes, exchange it for wheat futures.

Q. Who owns the wheat when the wheat is sold?—A. The actual wheat is owned by the purchaser and he has a hedge in the futures.

Q. You said this wheat would be sold to exporters, millers, and others. What did you mean by that?—A. Well, you might have a man who is not actually an exporter, but just a shipper of wheat for use in Ontario or something of that nature.

By Mr. Ross (Souris):

Q. Or a terminal elevator operator?—A. Yes, or a terminal elevator operator in eastern Canada may purchase this wheat and put it in his own elevator.

By Mr. Douglas (Weyburn):

Q. And it is bought to some extent by speculators.—A. The actual wheat?

Q. Yes.—A. No; it is not likely that they would buy the actual wheat; a speculator might possibly buy the futures.

Q. When the Wheat Board get an order from the Import Cereals Division to dispose of a certain number of futures, as I understand it the Import Cereals Division really buy the actual wheat through the exporters?—A. Yes.

Q. And all the Wheat Board does is turn the wheat future over to the exporters so that they can dispose of that wheat?—A. Yes.

Q. And the Wheat Board take these futures in exchange for the cash wheat, but there is only a percentage of the wheat sold to the Imported Cereals Division?—A. Yes.

Q. You have not sold all the wheat the Wheat Board has taken delivery of?—A. Yes.

Q. Assuming there is no demand for the May futures the Wheat Board has taken, what happens when May comes? Do you take delivery of that wheat?—A. We might, or might switch it into a further futures contract.

Q. How often would that happen before the wheat was finally disposed of?—A. I do not know, Mr. Douglas; that would depend entirely on the demand. We have to carry so much wheat. There is only a limited demand. I do not know how often it would be done.

Q. Looking at it from a layman's point of view am I clear that the Wheat Board sell this wheat which originally is their wheat and for which they paid the producer, sell the cash wheat and take a contract for future delivery, and when that contract is up they sell it and take another futures contract and that might continue indefinitely for a considerable period of time?—A. We might, or we might take delivery of the wheat in the future position; it is a question of saving money. I will illustrate it to you:

By Mr. Donnelly:

Q. You have a list of all your dealings in futures there?—A. Yes.

Q. Which you will give to the committee later on. I would like to give you an illustration if I may: The Wheat Board have actually wheat on hand, we will say, on the 1st October.

By the Chairman:

Q. Delivered to it from the grain companies?—A. Delivered from the producers through the grain companies.

By Mr. Douglas (Weyburn):

Q. Which you have not sold?—A. Yes, to the extent of several hundred million bushels.

Q. That means that you do not sell all the wheat that comes to the head of the lakes?—A. We sell the actual wheat; but let us, for the sake of the illustration say we have all the actual wheat on the 1st October: we know that we have to carry the bulk of that wheat over until May because there is not a market; there is no way of disposing of it, and we know, for the sake of the illustration, and using a round figure here, that it is going to cost us 6 cents per bushel to carry it in storage and pay interest. The actual wheat must be stored in elevators, and we have to borrow money from the banks, having already paid for the wheat. Now, the relationship between the October future and the May future is 5 cents; in other words, the May future is at 5-cent premium over the October future. From the standpoint of good business it is far better for the board to dispose of that actual wheat on the 1st day of October in exchange for similar wheat in May in the form of a future than to carry it for that period, because on one basis we are paying 6 cents for carrying it and on the other basis it costs us 5 cents.

By Mr. Quelch:

Q. If you are going to lose money by holding it in storage, how does the person buying it make a profit?—A. You mean the other end of the deal?

Q. Yes.—A. The other end of the deal is simply this, that there is competition among elevator companies for wheat to store, and they would prefer to pay 5 cents a bushel, prefer to earn 5 cents per bushel for storage rather than not purchase it and perhaps leave their space empty.

By Mr. Douglas (Weyburn):

Q. To carry it one step farther, when we come to October you have disposed of this wheat in order to save the storage. It proves that 6 cents is too much?—A. That is fixed by statute.

Q. When you come to May and you find that some of that wheat has not been disposed of, the futures having been disposed of, what does the Wheat Board do, take delivery of the wheat or take the July futures or October futures?—A. In the meantime we have probably sold—

Q. Say 70 per cent?—A. —some of the May futures, but we are speaking of the balance. We would make the best deal we could from the standpoint again of the benefit to the board. If we knew that we had to carry the bulk of that wheat into July and could transfer it to July at a saving, we would transfer it into July; in other words, at less cost than if we took delivery and carried it into July, again going back to the original illustration. And the situation would be that we would elect at that time as to whether we were going to take delivery or to transfer it into July, and it would depend on what was the most beneficial from the standpoint of the board.

Q. It is possible, then, that a bushel of wheat could be sold or a waggon-load of wheat could be sold by the Wheat Board at Fort William and a future contract taken, and if that future had not been disposed of to the Cereals Import Committee you might take another future in May, July and October. In other words the board merely keep on selling and buying futures?—A. No. I would like to answer that question in this way: In some cases, as far as we are concerned, if it is better business to take delivery of the wheat or to hold the actual wheat we would hold it, but if we can switch it to the futures market at a saving we would do that rather than hold the actual wheat.

Q. But it is possible that under some circumstances you would, without ever actually taking the wheat, continue for a period of time selling these futures and buying them back rather than taking the actual delivery of the wheat if the wheat were not sold?—A. There has been a good deal of discussion about this “buying back” business. I would rather say we would exchange it.

Q. You might continue to exchange it for a considerable period of time?—A. Yes.

Q. In that event the Wheat Board does not own the wheat at all, it only holds the futures?—A. We hold a contract for future delivery.

Q. Then on that basis what wheat does the Wheat Board actually store? We have the Wheat Board report here with large sums for storage. If the Wheat Board always disposes of the wheat at the head of the lakes and takes futures, what wheat is being stored by the Wheat Board?—A. Probably country elevator stocks and the wheat that we have not disposed of and taken futures for. As I said earlier, probably we would be carrying some actual wheat and carrying some futures.

Q. That is wheat that is in the process of being sold as quickly as you can dispose of it on the market?—A. Yes.

Q. It is not the policy of the board to hold that wheat any length of time?—A. No.

By the Chairman:

Q. At each period when you have wheat on your hand you are able to sit down and figure out how you can have that carried to a future period to the best advantage?—A. Yes.

Q. And you may carry it as actual wheat or as futures?—A. Yes.

By Mr. Douglas (Weyburn):

Q. But even if you had some of the terminals at the head of the lakes full, and had no immediate demand from the Imported Cereals Committee you would still sell that cash wheat and move it out from the head of the lakes to wherever the purchaser wanted to take it?—A. If you did not have a demand from the Imported Cereals Division of the Ministry of Food the exporters are constantly moving wheat to the seaboard to have it in position to dispose of it when the demand materializes.

Q. When the Imported Cereals Division come and buy from your board wheat futures, what is the basis of the price?—A. That is a matter of negotiation.

Q. Is it related at all to the market and the price which those futures were bought for on the market?—A. Not necessarily. All factors are taken into consideration.

Q. In other words, the open market actually does not set the price at which you dispose of that wheat?—A. It does not actually set the price, that is correct; but you always consider the open market price and other factors.

Q. But it is not the determining factor?—A. It is one of them, but not necessarily the determining factor.

The CHAIRMAN: Mr. Douglas, may I interject a question here?

Mr. DOUGLAS (Weyburn): Yes.

By the Chairman:

Q. Do circumstances arise when storage conditions are such that your ability to make a good deal to hold wheat as a future is limited? For instance, if the storage facilities were filled up at the head of the lakes and the grain companies that wished to store grain down there were unable to store it, there would be a greater likelihood of your being required to carry actual wheat than being able to sell it as a future?—A. That is right.

By Mr. Douglas (Weyburn):

Q. You said that this system of handling the wheat in the futures market was quite satisfactory to the British Ministry of Food, and that it was more economical to the Wheat Board. When you say it is more economical to the Wheat Board have you reference to this matter of storage?—A. Yes.

Q. But it costs you less to take a contract for future delivery than it does to pay the storage rates?—A. Yes.

Q. Is that the only reason?—A. Of course, this question is a matter of government policy, and you are discussing now the question of the futures market versus some other system of handling wheat.

Q. Would it be fair to put it this way, that the only reason it is more economical is because the spread between futures and cash wheat is less than storage charges, and if the storage charges were less it would not be more economical?—A. I do not know that that necessarily follows, because supposing you did reduce the storage charges, you might reduce the spread.

Q. Mr. Quelch, I think, asked a question on that point. He said the man who takes it for less than storage is not taking it for his health. He wants to carry the wheat for the purpose of making something out of it?—A. (No response).

By Mr. Ross (Moose Jaw):

Q. In that case it is a question of half a loaf being better than none—A. (No response).

By Mr. Douglas (Weyburn):

Q. Following up the idea of it being more economical in your opinion, Mr. McIvor, what is the advantage to the producer who sells this wheat to the board of handling it to the futures market?—A. What is the advantage to the producer?

Q. Yes, who sells the wheat to the board?—A. I think the advantage in dollars and cents is very substantial provided there was payment, Mr. Douglas. If there was an over-all payment the advantage to the producer would be substantial in dollars and cents. If the government are paying the bills it reduces the government bill.

By Mr. Ross (Souris):

Q. Where is the saving made? Who really carries the futures and takes up the slack and the loss in this transaction if you save that much money.—A. The elevator companies take it. If you closed the market you would have one statutory storage rate all over Canada.

Q. But the elevator companies are more responsible for the future trading than anybody else?—A. No; I do not know that I would agree with you. I am inclined to think that some of the elevator companies would rather have the futures market closed because they get the statutory rates; I do not know.

By Mr. Donnelly:

Q. On page 219 of the Banking and Commerce Committee of 1934, Mr. McFarland was on the stand and was asked about this very matter, as to how he carried his wheat. - Do you agree with what he said:—

No, we are not carrying the actual wheat; we are carrying some futures. If you carried the actual wheat, the expense of carrying it would be far, far heavier than to carry it in the form of futures, or options. Take a twelve month term, in carrying actual physical wheat it would

cost you around 15 or 16 cents a bushel. By the method which we have adopted in carrying it, it has cost around about 10 cents per bushel, but remember we can always get delivery in that way, whenever we want it.

At that time the difference was between 15, or 16 cents and 10 cents. That has been reduced, I presume, at the present time on account of the carrying charges being down.—A. Yes.

Q. Do you agree with what Mr. McFarland said?—A. As a matter of fact, as you probably know, I was associated with Mr. McFarland for a number of years in the capacity of his assistant, and I know that that was his opinion, that he could carry wheat far cheaper through the futures market than actually taking delivery of the wheat and carrying the actual wheat.

By Mr. Douglas (Weyburn):

Q. Might that not be a reflection on the heavy storage charges permitted under the statute?—A. (No response).

By Mr. Donnelly:

Q. Is it not a fact that because of the storage charges having been reduced at the present time that spread between carrying actual wheat and carrying futures has been narrowed up?

Mr. Ross (*Souris*): It still exists.

By Mr. Donnelly:

Q. What do you say?—A. Yes, but it has been narrowed up. The storage charges are fixed by statute. You have two classes and types of elevator organizations. You might have some type of terminal elevator that can store wheat cheaper and demonstrate that they can do it because they buy the actual wheat at less than the actual storage charges.

Q. Then you have country elevators?—A. I do not know what their situation is. I do want to say this, however, that the producers in the elevator business have said this is the lowest possible way in which you can carry wheat. Whether they would venture that opinion at another time I do not know.

By Mr. Perley:

Q. One factor would be how often they switched the options?—A. No.

Mr. DOUGLAS (*Weyburn*): Some of the financial reports would not substantiate that.

The CHAIRMAN: Will somebody move that we adjourn to meet again at four o'clock this afternoon?

(Motion made and carried.)

The committee adjourned to meet again this afternoon at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4.05 o'clock p.m.

The CHAIRMAN: Well, gentlemen, we can proceed with our afternoon meeting. May I suggest this, after questioning Mr. McIvor, who is still on the stand, that each person who wishes to question him would develop the questions and proceed to carry through until they have completed their point, and that there be no interruptions except in so far as someone might

wish to clarify a question; in other words, that each person who wishes to do so take the witness in hand and bring out what information they may wish in that particular regard, instead of having a whole lot of questions coming from different ones at the same time. I think by proceeding in that way we probably will get the points brought out that are wanted. There is plenty of time to do it, and if we will proceed in that manner we will be more orderly than we would be if we had a lot of questions coming from different people at the same time. I am going to suggest that Mr. McIvor, if he wishes to, may remain seated; and I declare the meeting open. Anyone who wishes to start questioning him is at liberty to do so now.

By Mr. Donnelly:

Q. Mr. McIvor, this morning when you were under examination you dealt with the methods that you used in handling wheat. Do you remember, at the last meeting—that is not the last one to-day; I refer to the one that was held some time ago, before the recess—I asked you to bring down a detailed statement of your operations on the exchange in respect to spreading and brokerage charges and so on that you had paid; have you that list?—A. Yes, sir, I have.

Q. Could I have a copy of it, just to look at?—A. Yes.

Q. This covers all your operations from 1938 down to July, 1942, does it?—A. Down to the July future 1942; spreading operations.

Q. This I notice covers the bushels, 1,212,364,000; is that not right, the total amount?—A. Yes.

Q. You have a copy there?—A. I have not a copy in front of me.

Mr. PERLEY: That covers what period?

Mr. DONNELLY: From October of 1938 down to July of 1942; that is the spreads.

The WITNESS: I am sorry, Dr. Donnelly, I have just the one copy.

By Mr. Donnelly:

Q. Now, in this you have marked out the average spread, have you not?—A. Yes, sir.

Q. And you also have the number of days that it is spread over, for so many days—one month, two months, three months—whatever time it was?—A. Yes.

Q. And then you have what it has cost you, your full carrying charges, marked down here in each case for these—I don't know how many spreads you had—one, two, three, four, five, six—there are thirty-two or thirty-three operations made there?—A. What it would have cost?

Q. Yes, you have the full carrying charge?—A. Yes.

Q. And interest at 3 per cent; and then you have marked here the difference between what it cost you and what it would have cost you had you put it in an elevator and carried it in elevators in the usual way?—A. Yes, sir.

Q. I notice for that 1,212,364,000 bushels that the difference in spread has been \$10,842,712.28?—A. Yes, sir.

Q. What do you mean by that?—A. That is the saving.

Q. That is what you saved?—A. Yes.

Q. By carrying it in the manner in which you did you made a saving to the people of the Dominion of Canada of \$10,842,712.28?—A. Yes, sir.

Q. Less brokerage; there is a certain amount paid out for brokerage fees?—A. Yes, sir.

Q. I notice that you indicate the total brokerage as being \$606,182; making a net saving altogether of \$10,236,530.28. In other words, not only did you find the handling of wheat through the ordinary channels to be more convenient, but it has saved the people a great amount of money, has it not?—A. Yes.

Q. Now, who would have got that money had you put it in the elevators and carried it, as Mr. Hanson suggested it should have been carried, at the former charge of one-thirtieth of a cent a bushel or the present charge of one-forty-fifth of a cent a bushel?—A. The elevator companies.

Q. The elevator companies?—A. They would have got the storage charges, and the banks—

Q. Would get the interest?—A. Yes.

Q. In other words, the country would have lost that much more money; \$10,000,000 more?—A. Yes.

Q. So that by using the Grain Exchange you have saved the country \$10,000,000 more?—A. Yes.

Q. Don't you think that is an argument why you should keep the grain exchanges open?

Mr. QUELCH: On the basis of the present storage.

Mr. DONNELLY: The basis of the present storage, the present basis is—this was one-thirtieth of a cent in 1940; and then it was changed to one-forty-fifth of a cent from 1940 on; before that the charge was one-thirtieth of a cent per day, which was the usual charge.

By Mr. Donnelly:

Q. Well now, we heard a lot of complaints about the Grain Exchange, and apparently this is one argument to support the contention that the Grain Exchange should be kept open.—A. It is a very substantial saving for the country. There is no question about that.

Q. I think that this statement should be printed as an appendix to our proceedings for to-day in order that we may look more closely at the figures and be sure as to what the charges have been and what the savings have been, because it has been very considerable. I know that to myself it has been an eye-opener as to what can be done. Just in line apparently with what Mr. McFarland has said, and with what the committee has said?—A. That is right.

Q. That they could carry wheat cheaper by using the facilities of the Grain Exchange than by ordinary storage. Well, if our elevator companies are going throughout the country and asking that the Grain Exchange be closed probably it might be that they want the storage; don't you think so?—A. Yes.

Q. It looks to me as though that is one of the reasons why we hear this furore about wanting the Grain Exchange closed.

Mr. QUELCH: Do the line elevators ask that?

Mr. DONNELLY: Yes, some others do, too. I have heard for the last thirty years, since I have been growing wheat, that the Grain Exchange should be closed; and I have never heard anyone yet who could give me any sound reason why it should be; no one who could give me any good reason.

Mr. Ross (*Souris*): Could you give us the names of any such elevator companies?

Mr. DONNELLY: Yes.

Mr. Ross (*Souris*): Who?

Mr. DONNELLY: Well, I have heard the pool elevators say that.

Mr. QUELCH: The line elevators as a whole have asked that they be closed.

Mr. Ross (*Souris*): Can you tell me what elevators are making such a request?

Mr. DONNELLY: I know that I have heard such complaints made on the platform, when I have been there, and they have told me time and time again that it should be closed; but I have never had any of them tell me yet why it should be closed; they made merely the general statement that it should be closed without giving any reason.

Mr. Ross (*Souris*): You never heard any of the North West Line Elevator Association elevators making that statement?

Mr. DONNELLY: Suppose they have not, what of it?

Mr. Ross (*Souris*): You are making a statement, and you should give names of companies.

Mr. PERLEY: Can you name any others?

Mr. DONNELLY: I do not see why they should not—

Mr. PERLEY: Just name another one.

An Hon. MEMBER: He has named the pool elevators.

Mr. DONNELLY: As a matter of fact, I just dealt with this matter just the same as I dealt with it with the pool people on the platform; they made the statement and I asked them why, and they were unable to tell me any reason why, except that they say they should be closed. I have never yet had anyone to tell me why it should be closed.

Mr. GOLDING: Do you mean that?

Mr. DONNELLY: I mean, if they were closed it would be a good thing for them because of this \$10,000,000.

Mr. GOLDING: Oh, they were the ones that wanted them closed.

Mr. DONNELLY: We need not get into an argument about that, that is another question altogether.

The CHAIRMAN: Gentlemen, the reporter can only get down one of these items at a time. Will you please bear that in mind.

By Mr. Donnelly:

Q. With regard to these brokerage charges you say here that you paid \$606,182 in brokerage charges; how many brokers was this amount paid to?—

A. There were over ninety.

Q. Do you pay it to the brokers?—A. We actually issue the cheques, and what I want to make perfectly clear is, we are dealing now in connection with these spreads, we actually issue the cheques to the brokers, but the brokerage is calculated in the spread.

Q. Now, how are these men selected, picked out?—A. Well, it is largely a matter of efficiency, with this proviso; that in regard to this spreading about which we are speaking, and due to the fact that the other end of the deal pays the brokerage, we issue the cheques, but the brokerage is calculated in the spread. They name the brokers; but we make this provision, that no broker is to get more than 300,000 bushels, and the reason for that provision is that one broker should not get all the business; that the brokerage should not be coralled by one individual if he was particularly close to a certain source.

Q. It is divided among them?—A. Yes.

Q. And the man who makes the deal names the brokers that they want it divided among?—A. Yes, he does; but it is subject to that provision, that with regard to one particular transaction 300,000 bushels is the limit that any one broker can get.

By Mr. Ross (Souris):

Q. Your board in buying grain does it through the brokers?—A. I am dealing only with this question of these spreads, Mr. Ross. I want to make that clear. I want to make my language very clear this afternoon. I will be perfectly willing to deal with the other.

Q. I don't understand that; you do the nominating of these brokers?—A. In regard to the spreads that we are discussing now, the brokers are nominated by the other end of the deal and they pay the brokerage. We issue the cheques, but the brokerage is calculated in the spread; and the reason we do it that way is to prevent the brokerage going into one channel and other brokers being left out.

By Mr. Donnelly:

Q. At the present time, is the Grain Exchange closed in England?—A. Yes.

Q. Do they pay any brokerage charges to anyone in England?—A. They have a system of compensation worked out there; I have not the exact details, but it is based, as I recall it, on the three-year earnings, prior to the war, of the companies. And they have a method of taking care in this compensation system of those men of a similar character to those brokers in Winnipeg.

Q. And it is quite practical that these men would be doing what the brokers do?—A. The brokers in most instances institute the business. They perform a very useful service for the board.

Q. They are like the real estate agent, the go-between?—A. Yes. In other words, you deal with them as a group of brokers. They perform a very useful service in the machinery of what is known as the open futures market system; and further than that the Wheat Board directs the board to use brokers.

Q. It is part of the machinery that you are supposed to use?—A. Yes, it is part of the machinery that we are supposed to use.

Q. Now, suppose we had at the present time all our terminal elevators practically filled at the head of the lakes, would it be harder for these brokers to get a good deal?—A. Yes.

Q. And seeing that we have about 100 million bushels—we had to build 50 millions this past year—of extra storage there. Having that 50 million extra storage, does that enable you or the brokers to get a better deal in the handling of futures or trading in futures?—A. It is the old case of the law of supply and demand, Dr. Donnelly. If you have a greater supply of wheat than there are storage facilities to take care of it, your bargaining power is weakened. If you have a larger supply of storage than the available supplies of wheat, your bargaining power is greater.

Q. In other words, empty storage is not much good to an elevator company?—A. No.

Q. It does not make very much money for them. The only way to make money is to have it filled up?—A. Yes.

Q. Though they are willing to make a deal some time to carry it at less than the ordinary storage because they are going to get something out of it, is that right?—A. Yes.

By Mr. Evans:

Q. In following up the using of brokers in transactions of transferring the wheat, if you had not been making use of the present system would you have to set up some system of your own to transact that business?—A. Well, my own personal views are if you do not use the facilities of what is described by Judge Turgeon as the open market futures system, you would have to set up a monopoly in the handling of wheat, where the government would be the only people that would handle wheat.

By Mr. Perley:

Q. Is not that practically the case now? You have to have a permit to deliver to the board, and then there is the quota system.—A. Only on account of the fact that you may have a limitation of storage facilities, plus the fact you are working under the limitation of deliveries in the country. I just want to make this point clear, that the use of the quota system in the country does not apply only to board wheat; it applies to wheat going to the board and wheat going into the open market.

By Mr. Quelch:

Q. Is it fair to say, then, that the board finds it cheaper to sell the wheat and buy futures than to pay storage charges?—A. To exchange the actual wheat for futures, yes.

Q. In all probability we can believe that the people who buy this wheat do so because they can store wheat cheaper than the Wheat Board?—A. No, I do not think that is necessarily the fact. The Wheat Board is bound by the statute. That is the rate under the statute—

Q. Well, then, now, as conditions are to-day— —A. May I just continue that, Mr. Quelch? A lot of these people who make these exchanges with us are not elevator companies in the sense of the word that they operate elevators as a public facility for the storage of wheat. There are elevator companies also who purchase wheat and carry it in their elevators, particularly in eastern Canada. There are certain elevator companies in eastern Canada who own boats and move their wheat in their own boats and carry it in their own facilities. That is, purchase the wheat outright, exchange it for futures, and carry it hedged in their elevators until such time as it is disposed of.

Q. Do you not believe that under conditions as they are to-day the statutory charges could very well be lowered and still leave the elevators very sound protection?—A. I think as a question that should be properly directed to those in charge of the storage rates.

Q. Has a survey ever been made of the total storage facilities with a view to estimating what the total cost would be of taking them over and see what saving there might be in storage facilities to the board if that were done?

Mr. DONNELLY: There would be a loss.

Mr. QUELCH: Not under present conditions of storage.

The WITNESS: I do not know if any such survey has been made, Mr. Quelch.

Mr. QUELCH: I wonder if the minister knows of any.

Hon. Mr. MACKINNON: I do not happen to know of any.

By Mr. Quelch:

Q. Do you not think if such a survey were made, so far as the loss is concerned it would depend upon the interest paid to carry it? The government is borrowing money now at rates of $1\frac{1}{2}$ per cent. If the rate was 5 per cent it might lose money; but if the rate was $1\frac{1}{2}$ or 1 per cent I believe we could show a substantial profit, at least for the duration of the war, and a lot of elevators would more than pay for themselves before the end of the war at the present storage rate.—A. Just on that point, Mr. Quelch, I do not want to deal entirely with the question of storage. I want to get back again to what I said this morning, in so far as the farming business is concerned, it is the whole elevator system. They have said to the board that the handling contract under which they operate is the absolute minimum contract.

Hon. Mr. MACKINNON: On which they can afford to carry it.

By Mr. Quelch:

Q. Have they a statement of figures to prove the soundness of that contention?—A. No. Usually these handling contracts are arrived at ahead of the handling of the crops. You understand, we are dealing with all of the elevator companies ahead of time and that is the statement that they have made to us.

Q. I can understand that it would be an entirely different situation in peace time when a number of the storage facilities are partly used; but at the present time we are using the full capacity and there should be a substantial reduction in interest during the war.—A. They have made that statement to us since the war.

By Mr. Ross (Moose Jaw):

Q. Are they using the full capacity to-day?—A. No.

The CHAIRMAN: I think we can recall this. We went out checking on the storage facilities a few years ago, and the government even intervened and

extra additional storage facilities were built at the head of the lakes. That indicates that a survey of the storage requirements had been checked to some extent, at least.

Mr. QUELCH: Has a survey been made with regard to the storage facilities in so far as the cost of taking them over is concerned?

The CHAIRMAN: I do not know if that was considered. The question was to get the facilities, and in order to get the facilities, particularly those annexes, some consideration it appears was necessary to be given to those who were going to acquire them. That would indicate what the position of those actually handling grain was with regard to the charges already in existence. Has anybody else any questions to ask?

By Mr. Ross (Souris):

Q. I should like to ask a question with regard to the matter of brokerage. You said there were ninety brokerage firms paid brokerage fees and that others were nominated at the end of the deals?—A. Yes.

Q. Were they paid on a basis of bushels handled for the board or did you strike an average?—A. First of all I want again to say that the brokerage is calculated in the spread and paid by the other people. We issue the cheque. It is part of the spread; and the arrangements that are made for the paying of brokerage is if we make a spread with some particular company it might be made through one broker or it might be made direct with the company; but in the bulk of the cases it would be made with one particular broker. The rule that we follow is in order to provide that the brokerage is properly distributed we only pay a limit of 300,000 bushels to each individual broker and they nominate the brokers.

Q. In a given period?—A. Yes.

Q. What proportion of that 300,000—A. In regard to every transaction?

Q. Each transaction.—A. Yes.

Q. But there might be many transactions in one crop?—A. Yes.

Q. I still do not understand how each broker would be paid, on what basis. How often are they paid?—A. Once a month.

Q. There would be a great variation in the cheques issued to these brokers?—A. Yes.

By Mr. Diefenbaker:

Q. What is the variation?—A. Well, in regard to this particular—we are discussing now the question of spreads, Mr. Diefenbaker.

Q. Yes, but at the moment I am asking you what is the spread between the cheques and the brokerage?—A. If you do not mind I should like to answer the question in this way. We are discussing the question of spreads and the limitation of the amount that is paid to any individual broker is 300,000 bushels.

Q. How much does that mean in dollars?—A. \$75.

Q. That is the amount that you pay to any one broker in a month?—A. No, in a transaction.

By Mr. Ross (Souris):

Q. How much would you pay a broker in a month in a number of deals?

By Mr. Perley:

Q. What is the size of the transaction?—A. I was going to go on and illustrate the transaction, if I might.

By Mr. Diefenbaker:

Q. Possibly, Mr. McIvor, if you would answer just this one question it would be better. I find, and I say it with all due respect, you are always illustrating but seem to fail to answer the questions that have been asked directly. What is the smallest amount that has been paid to any broker under this head per month and the largest amount during the period of operation?—A. I do not know.

Q. Well, now, where would we get that information?—A. From Mr. Findlay.

Q. You have no idea at all, as chairman of the board, as to the largest amounts that are paid any one broker or the smallest amounts?—A. I am quite free to confess that I do not know, Mr. Diefenbaker.

By Mr. Ross (Souris):

Q. Can you give us the average in an exact transaction?—A. I again want to make it very clear that I am dealing now with the question of spreads which was raised by Dr. Donnelly. Brokerage is paid by the other end of the deal. The limit of brokerage is 300,000 bushels per broker.

Q. On one transaction?—A. On one transaction. That transaction might be a million bushels, and on that particular transaction there might be 300,000 paid to John Jones or there might be a hundred thousand paid to Jim Smith—I am speaking of bushels now. The other end of the transaction would say to the board, we want 300,000 paid to John Jones, 100,000 paid to Jim Smith; but for the purpose of a proper distribution of the brokerage, the limit of brokerage that can be paid to any one broker on that particular transaction is 300,000 bushels.

Q. What you mean to say is if the Cereal Import Board buy a quantity of wheat from you—A. Well, I am dealing with spreads.

Q. You said the other end of the deal. What do you mean by "the other end of the deal," the nominated brokerage companies?—A. The other end of the spread.

By Mr. Perley:

Q. I should like to make that clear to the committee. What do you mean by spread? It is the spread from May to July. It is not the original sale of the wheat. It is just the spread from May to July.—A. Yes.

Q. It has nothing to do with the cash wheat at all?

Mr. Ross (*Souris*): It is futures.

By Mr. Perley:

Q. I wish to come back to the statement. Evidently Dr. Donnelly has reviewed it and we cannot question you on it offhand. You say you traded in 1,212,000,000 bushels. That is for the three years, was it—the crop years 1938, 1939 and 1940?—A. There is the statement there.

Q. Oh, well, I have not time to study it. That was over the three-year period, was it?—A. The dates are there, Mr. Perley.

Q. Is this 1,212,394,000—and Dr. Donnelly read that too—for the three crops?—A. If you let me have the statement, I can give you the exact dates.

Q. You said from the 1st of October, 1938, to the 31st of July, 1941.—A. The 31st of July? Taking in the position from October futures—taking October futures from October, 1938, to July, 1942, the transactions involve those futures months to that period.

Q. That is only three crops though?—A. Well, it is three and a half really. It is almost four crops.

Q. Well, I cannot see how you can deal in the 1942 yet. You are into July, true enough, but you are not in 1942.—A. It is October, 1938, to July, 1942.

Q. Yes, but of course this report only goes on the 1940 crop.—A. Well, if you want it taken on the basis of the 1940 crop, we could get you the figures from October, 1938, to July, 1941.

Q. What was the crop in each one of those years? Have you got that amount with you?—A. The amount of the crop?

Q. Yes.—A. I can get it.

Q. The average is 300 and some odd million each year. What would be the average?—A. Well, in 1940 it was over 500 million.

Q. I know, but what would be the average?—A. I can get you the figures. I have not them here.

Q. How much did you trade in each year? That is what I want to get at.—A. The figures are here. We will be glad to give you any breakdown of the figures you want, of the total figures, October, 1938, to July, 1942.

Q. Give us a breakdown of the trading in October options, 1938.

By Mr. Donnelly:

Q. Some of it would be the same wheat over twice?—A. Yes.

By Mr. Perley:

Q. Give us October, 1938.—A. October, 1938? There are three different transactions. There was 400,000 bushels spread; there was 636,000 bushels and there was 38,359,000 bushels.

Q. What is the last one?—A. 38,359,000.

By Mr. Donnelly:

Q. Would you trace that 38 million through?—A. Yes. The 38 million was a transfer from October to May, a switch from October to May. The average spread at each switch was shown there at 3·1748. Had we carried that wheat—there is 212 days—it would have cost us 8·0467.

Q. So you saved how much?—A. Our gross saving was \$1,868,000, and after deduction of brokerage was \$1,849,000.

By Mr. Perley:

Q. You made a statement that you used ninety brokers. Those are just pure option brokers. Let us get the cash brokers. Do you use cash brokers?—A. Yes.

Q. How many cash brokers?—A. I am not sure how many.

Mr. FOLLIOTT: Twenty-five or twenty-six.

By Mr. Perley:

Q. Then you use ninety option brokers and twenty-six cash brokers. Is that it?—A. Yes.

Q. How many brokerage firms are there altogether, licensed?—A. That is all.

Q. What?—A. That is all.

Q. That is all on the Grain Exchange that are licensed?—A. Yes.

Q. Do these brokers acquire these trades in your name?—A. In our name, yes; the trades are cleared in our name.

Q. Do you have to guarantee their credit?—A. No. There is no credit involved. They just give up our name and the trades are cleared through the clearing house and we pay them 25 cents a thousand.

Q. You have an understanding with the clearing house with respect to John Brown who, say, is the broker employed, that anything he trades is okay, and then he switches to your name. Is that it?—A. No.

Q. The clearing house accepts the trades that he clears in your name?—A. No. What he does is this. When he puts through a trade for the Wheat Board, he gives up the name of the Wheat Board.

Q. What understanding have you with the clearing house and this man?—

A. He is not involved with the clearing house at all. He just puts through the transaction and the transaction is cleared direct from the Wheat Board to the other end of the deal.

Q. Say that during the day in the pit he trades in several million more than he clears in your name. Where does the clearing house get off in that case?—

A. That would be his concern, not ours.

Q. But the clearing house have to know?—A. No, they do not have to know.

Q. They do not know how much you have allowed him to trade in or what guarantee is made?—A. What he does is simply to notify us. We agree with him that he can put through a certain trade, and he notifies us that it has been done, and we clear it through the clearing house that day.

Q. All right. If it is a sale, what about the broker that bought it?—A. It clears to the other end from the clearing house.

Q. As far as you are concerned?—A. Yes.

Q. You have no understanding with the clearing house as to the guarantee of any credit or anything that these fellows trade in?—A. The only guarantee we have in the clearing house is the guarantee of the Canadian Wheat Board.

Q. There is no possibility of a man trading and clearing some of the trades in his own name, or if you traded with another broker so many millions—of course at the present time there is not much range in the price. There is practically no change at all to speak of now during trading hours; it is a quarter of a cent or something. But he could not possibly clear part of that trade if it was where it would show him a profit in his own name?—A. Not in our business.

Q. Anything he clears, the clearing house knows is for him?—A. Anything he clears for us—he does not clear in the first place for us. We clear ourselves. He notifies us of the amount of the transaction and we clear it directly through the clearing house.

Q. Well, could you give us the names of those ninety brokers?

Mr. Ross (*Moose Jaw*): Mr. Chairman, I do not think that is a proper question. These people are dealing with the Wheat Board, and dealing for others there. By using these people, the Wheat Board has been able to save large sums of money.

Mr. DOUGLAS (*Weyburn*): That is an assumption. Mr. Ross is not giving evidence.

Mr. DONNELLY: Not at all. There is no assumption at all in that. These are audited figures that he has given to us.

Mr. Ross (*Souris*): There are many other things we have not got.

Mr. DONNELLY: It shows that by using the exchange as we have used it, we have saved \$10,000,000.

Mr. DOUGLAS (*Weyburn*): Or shows that our storage charges are too high.

By Mr. Ross (Souris):

Q. Where is the price of wheat frozen? There is an order in council freezing the price of wheat. At what point is it frozen?—A. $79\frac{1}{4}$ for the May and $80\frac{3}{8}$ for July.

Q. That is they are guaranteeing to take over the wheat from the trade at that?—A. Yes.

Q. For May wheat you pay the producer now how much?—A. For May?

Q. Yes.—A. We pay 70 cents plus the farm storage.

Q. Of 4 cents, is it not?—A. No. It is more than that. I think I can get that figure for you.

Q. On this chart you have put in here, issued by the board, it shows 74 cents from April 16 to May 1. Does that include your storage?—A. Yes.

Q. It is 74 cents.—A. You said in May?

Q. The 16th of April to the 1st of May and that is at the 1st of May?—
A. Yes.

Q. The new figure does not take place until the 2nd of May?—A. No.

Q. That is a difference of $5\frac{1}{4}$ cents you are allowing the trade?—A. No. We are not allowing the trade that at all.

Q. Why is there that difference? If I am a producer and I want to sell my wheat to you, I can only get 74 cents for it.—A. No. You can sell it in the open market and get $79\frac{1}{4}$.

Q. That is just the point I am making. You guarantee the open market that, but you only pay the producer 74 cents.—A. We are guaranteeing any holders of wheat $79\frac{1}{4}$ for a purpose, so that they would not be profiteering on the advance to the new price.

Q. That applies to the producer if he holds his wheat at the end of these crop years?—A. Yes.

Q. That would be the price with the farm storage?—A. Yes. He does not need to deliver to the board unless he wants to.

By Mr. Diefenbaker:

Q. In the allocation of the amounts to the various brokers under the head of spreads, who did you say you took your direction from—the other party to the spread?—A. Yes.

Q. Are those directions in writing?—A. No, I don't suppose they are. They may be.

Q. I beg your pardon?—A. They may be in some cases. We may have some letters. I think they would be largely verbally to our sales manager on the floor.

Q. Are there any that are in writing?—A. I do not know. I would have to look into that.

Q. Would you be able to get us that information by tomorrow morning?—
A. Yes.

Q. All right. Then there is the other question. We are just dealing with the one phase, brokerage charges arising out of the spread?—A. Yes.

Q. Will you be able to get us the information by tomorrow morning as to the largest amount received by any particular broker and the lowest during the period of your operations since the beginning of the war?—A. During which period?

Q. Well, as of the document before you, from October, 1938, until July of 1942?—A. Yes.

Q. Would you be able to give us the particulars of brokers who received those amounts?—A. Well, it is a question that is entirely up to the committee. As far as we are concerned, we distribute this brokerage on the most equitable and fair basis. Now, as to whether this committee wants the names of all these brokers so that they immediately become public property, is a matter for the committee to decide.

Q. Possibly, Mr. Chairman, before that could be decided we should have an answer from Mr. McIvor as to the degree of spread between the lowest and the highest?—A. Yes.

Q. That would give an indication, a very fair indication, as to how carefully the distribution was made among those entitled to it—the ninety option brokers and the twenty-six cash brokers.—A. That is right.

Q. If the disparity was very great, then of course one could carry on from there?—A. That does not necessarily follow. You have all kinds of brokers. You have got good brokers, indifferent brokers, and poor brokers. The judgment of the efficiency of a broker should be, under the Canadian Wheat Board Act, in the hands of the board.

By Mr. Donnelly:

Q. Do you pay this brokerage along the same lines as it was paid by Mr. McFarland and by Mr. Murray?—A. Yes.

Q. Did they select them in the same way?—A. Yes.

Q. And pay them in the same way you are doing?—A. Yes; according to our judgment of their efficiency.

Q. And you are doing it in the same manner, as the old board did and as Mr. McFarland did?—A. Yes.

Mr. PERLEY: No, not exactly. He says he gets directions from the British Cereals Import Committee.

Mr. Ross (*Moose Jaw*): No, he did not.

Mr. PERLEY: He mentioned the name of the Cereals Import Committee.

Mr. Ross (*Moose Jaw*): No, he did not. He said at the other end of the deal.

The WITNESS: I said in regard to the purchase, that we got permission from the other party, the other end of the spread, as to how the brokerage would be distributed, with this provision, that not more than 300,000 bushels shall go to any one broker. I just want to say in that connection that there is not anything new about it, Mr. Perley. As a matter of fact, under the McFarland operations, brokerage was divided. Half of it was paid by the stabilization operations and half by the other end of the deal; and in that case or in both cases, the broker was selected by the other end of the deal.

By Mr. Perley:

Q. You have the broker, of course, on the other end of the deal; you have your broker selling and some fellow at the other end of the deal buying, for instance?—A. No, the same broker.

By Mr. Donnelly:

Q. If it were through James Richardson, what would it be?—A. If we spread a million bushels with the firm of Richardson and Sons, some broker would probably come to us and say that James Richardson and Sons are prepared to exchange May wheat for December wheat with the Wheat Board, or exchange December for May wheat with the Wheat Board, at 3 cents a bushel. The Wheat Board would examine the situation and if it were thought a profitable transaction from the standpoint of the board, the transaction would be put through. But under the provision that is laid down by the board, that one broker would not get the million bushels; he would get 300,000 bushels and the balance of it would be distributed by the Wheat Board on instructions from Richardsons who pay the brokerage.

By Mr. Wright:

Q. That is Richardsons would say as to the brokers it would be handled through?—A. Yes.

By Mr. Ross (Souris):

Q. And the amount they would handle?—A. Yes.

By Mr. Wright:

Q. A moment ago you said there were good brokers, indifferent brokers and poor brokers and the board had to use their own judgment. The board is not able to use their own judgment?—A. Not on the spread transaction.

Q. Not on the spread transaction?—A. No. But it naturally follows that a good broker, who is energetic and who is working to get his transaction through, will get more brokerage than another broker who is indifferent to the transaction and not working.

By Mr. Douglas (Weyburn):

Q. When does the board select a broker?—A. We would select him on any sales that we made outright.

Q. Cash wheat?—A. Cash wheat and future sales that we would make.

Q. Does the board sell futures on the open market?—A. On any futures that we would sell, and on any cash wheat that we would sell—

Q. Does the board ever sell futures on the open market?—A. Yes.

Q. Why would they sell futures on the open market?—A. Well, because we think the price is satisfactory.

Q. May I get that straight? You explained this morning why you should sell cash wheat—in order to secure futures. You explained why you should sell futures to the Import Cereals Division. But when you come into the open market and sell futures, what is the explanation for that?—A. Well, there might be an order from Portugal or from a domestic mill in the open market for wheat.

Q. Would they not do as the Imported Cereals Division do, go and buy from you futures?—A. No.

Q. They buy them in the open market?—A. Yes, that is right. What would happen is they would buy the actual wheat from the exporter. He would offer it f.o.b. seaboard and they would buy actual wheat from the exporter and he would cover his sale in the open market.

Q. Would your sale of futures of wheat be to the exporter?—A. No.

Q. Why would you not sell cash wheat and keep your wheat futures?—A. Well, under the open futures system, practically all the buyers of cash wheat must have it hedged. Their bank requires that it be hedged. So that instead of buying cash wheat from the board and going into the pit and selling out futures, they exchange futures for the cash wheat.

By Mr. Perley:

Q. Take the Richardson fellow. Mr. Richardson's firm sells, say, 1,000,000 bushels of wheat. The board buys the option. That is cleared. Does Richardson clear that in his own name—that is to say, selling in the October and switching it into the May? How do they deliver wheat to you?—A. I am not clear as to your question. You say the board would buy 1,000,000 bushels of cash wheat?

Q. No. Mr. Richardson sells a million of option wheat. He has bought wheat, for instance, in the country.—A. Yes?

Q. And this trade goes through and you do not know what wheat he is dealing in at all. It is done in the pit?—A. We have nothing to do with that.

Q. Just a moment. He sells you an option. You are selling options, are you not?—A. I want to get your question clear. You say he buys one million bushels in the country?

Q. No, he sells you a million bushels?—A. What does he do?

Q. When May comes, I am asking you if he delivers on his sale the one million bushels to the clearing house?—A. He may if he is short the May.

Q. Yes.—A. That is his privilege.

Q. If they said, "Here, you have to take it, Mr. Board, on your trade"—how about that?—A. If we are long in May, we would take delivery.

Q. You have got to take it. Now, let me come back to Britain. You stated there was no more open market in Britain, but they divided their business there among their brokers on the basis of their records of the business they had done in peace time, so to speak, possibly over a period of three years. What about those men that they select, the brokers over there? How do they deal with the Wheat Board?—A. They do not.

Q. All right; they deal with what?—A. The British government pay compensation to these men based on their operations, as I understand it, for three years.

Q. Who do they get in touch with in Canada?—A. These people act as agents of the various exporters in Canada. But that is not part of their compensation. The British government pay compensation.

By Mr. Rennie:

Q. For doing what? For nothing?—A. Well, I am told that they do perform some services in regard to the movement of wheat into ports and that sort of thing, but I am not just sure as to the nature of the services.

By Mr. Ross (Souris):

Q. The idea is to try to keep their trade intact while the war is on?—A. That is right.

By Mr. Perley:

Q. Could we not do the same thing in Canada, close our markets and use these 116 in the same way as they are doing in Britain?—A. It could be done.

Q. If you want to give them a meal ticket?—A. It could be done.

Q. It is the same thing in the end, but it is a little different way of doing it.

Mr. Ross (Souris): A more intricate method of the same thing we are trying to do in Canada.

Mr. DONNELLY: If they had carried it on in the old way instead of the way we have been told it has been carried on during the last three years, we would have lost \$10,000,000.

By Mr. Ross (Souris):

Q. On this basis it is a fact that you do not pay any money at all for storage on actual wheat? The Wheat Board does not pay the elevator companies anything for the storage of actual wheat. Is that right?—A. No. They have wheat. They have actual wheat in their elevators and they have it hedged, we will say, in the May. That is their wheat. They have paid cash for it. They bought it from us and paid cash for it.

Q. You do not pay any actual storage at all. It is all handled through futures, everything?—A. No; they have the actual wheat in their elevators, and they have it hedged, we will say, into May. It is their wheat; they have paid cash for it.

Q. You do not pay any actual storage at all?—A. Not on the weekly spread.

By Mr. Donnelly:

Q. You pay storage in the country elevators?—A. Yes, we pay plenty of storage on the actual wheat in the country elevators, and some storage in the terminals; but the moment the spread is made our storage charges stop because we deliver the actual wheat to them.

Q. That spread is the carrying charge, the storage?—A. Yes.

By Mr. Quelch:

Q. Do you know what percentage of wheat was delivered to country elevators and what percentage to other organizations in 1941?—A. In 1941?

Q. Yes.—A. I will get those figures for you.

Q. Will you please get them for 1939, 1940 and 1941?—A. Yes.

The CHAIRMAN: Any other questions?

Mr. DIEFENBAKER: Now we have come to the question of the brokerage charges, and we might as well inquire into those and get some information about them or be refused. Take exhibit "C"; it is not paged.

The CHAIRMAN: Mr. Diefenbaker, are you dealing with the report?

Mr. DIEFENBAKER: I am going to ask about this matter of brokerage charges which has been discussed. We might as well understand where we are going.

The CHAIRMAN: The only point I was going to make was that we have tried to arrive at some precise method of procedure, and I think Mr. Findlay will deal with the financial statements, with Mr. McIvor to assist him. I was hoping to finish up with the general operations of the Board and then proceed to the next item on the agenda. Can we clear up the matter of general procedure in the handling of grain before we proceed to the details?

Mr. QUELCH: Will you deal with the farmers' quota now or later?

The CHAIRMAN: Later, I think. I will make it a point to keep that in mind. I understand you desire to discuss it.

Mr. DIEFENBAKER: If the Chairman would furnish us with a copy of that agenda we would know exactly what order has been determined upon, but I want it distinctly understood that if the witness is allowed to stand down he will be recalled later.

The CHAIRMAN: The witness and the remainder of the Board will be here.

By Mr. Ross (Moose Jaw):

Q. I do not know whether you intended to give the information later, but I think it would be well if you were able to explain to the committee the exact operations that are gone through with wheat from the time it is taken into the country elevator until it lands in Liverpool or in England, explaining the different transactions in connection with it?—A. I tried to cover that matter this morning. Perhaps Mr. Ross would like to ask some questions?

By Mr. Perley:

Q. Take 2,000 bushels of wheat delivered to a country elevator who is your agent, and also take lots of 200 bushels delivered—

Mr. ROSS (*Moose Jaw*): Take any amount.

Mr. PERLEY: It is a matter of classification.

Mr. ROSS (*Moose Jaw*): This is going to come up under the contract later on. I want to get a short explanation, first of all, of the delivery of the wheat by the farmer to the country elevator and from the country elevator to Winnipeg or Fort William, and from there how it is handled by brokers until it reaches Great Britain. Take a carload.

The CHAIRMAN: I do not think it is necessary to discuss here the difference between a 200-bushel lot and a 2,000-bushel lot. That has to do with the elevator agreement. Perhaps Mr. McIvor could follow a carload throughout.

By Mr. Ross (Souris):

Q. A carload of wheat stored in a country elevator for two months?—A. Do you want to deal both with a carload and a wagonload?

By the Chairman:

Q. Take a carload lot.—A. The situation in regard to a carload lot of wheat at country points is that a producer who hauls in his wheat has the option of selling it outright or selling it to the Board. He delivers his car to the elevator and instructs the elevator company to ship the car to the head of the lakes. First of all I shall deal with a special bin case: a car is delivered at the head of the lakes and the inspection is checked by the company that is handling it when it goes through the terminus, in the case of Fort William or Winnipeg, and the company gets a warehouse receipt for the car. It might be 2,000

bushels. That warehouse receipt is delivered to the Wheat Board by the company. Just to go back for a moment, under the handling contract there is provision made for the handling of special bin wheat. They would charge him for the handling of that car $1\frac{3}{4}$ cents which is the charge in country elevators plus a 1 cent service charge. He would have to pay the freight on dockage if there was dockage, and the inspection and weighing charges, and any bank exchange with respect to the cost of getting the money to the country elevator.

By Mr. Fair:

Q. Would you explain what that service charge includes?

The CHAIRMAN: Can we leave that until we deal with the elevator agreement?

The WITNESS: I think that is the best place to deal with it, sir.

By the Chairman:

Q. Proceed.—A. The car is delivered to the Wheat Board and a participation certificate is issued by the company handling the car to John Brown, if that is the firm's name, which says, in effect, that he has delivered 2,000 bushels of wheat to the Wheat Board and is entitled to participate in any payments in the future, if there are any.

Then the Wheat Board takes this car of wheat (this is cumulative; there would be a number of cars of wheat) and would dispose of that and 50 or 100 other cars, perhaps a total of 200,000 or 300,000 bushels, to an exporter or a shipper or a miller, whoever happened to be in the market. They would sell the actual wheat at what they considered the proper relationship between, we will say, the wheat and the nearest future, and they would exchange that carload of wheat for 2,000 bushels of futures, again dealing with the case of 2,000 bushels.

By Mr. Douglas (Weyburn):

Q. You used the term "exchange" but you actually pay for the wheat outright?—A. We pay the farmer.

Q. You sell the cash wheat for cash and receive a full amount of money for that?—A. Yes. The point I want to make clear to the committee is that that transaction does not increase the amount of wheat that the board have on hand. It is an exchange. The actual wheat is exchanged for futures; it does not increase or decrease it.

Q. It is really a sale and a purchase?—A. It is an exchange. You can call it a purchase and sale, but in effect it is an exchange of wheat in position for a contract in the future for a similar quantity; but it does not increase or decrease the amount of wheat the board holds.

Q. It need not be the same party that you carried on the transaction with?—A. It would be if the exchange were made with an exporter like Richardson.

Q. You would sell the cash wheat and take the future from them?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. Or you might sell it to an elevator company?—A. Yes, we would sell it where we can get the best price for cash wheat.

By Mr. Douglas (Weyburn):

Q. But it is important to take the futures from the same people that you sold the cash wheat to?—A. Yes.

By Mr. Perley:

Q. You employ a broker in one case to exchange the cash wheat for the option?—A. We would employ one broker, a cash broker, and he would dispose of the cash wheat; and on the broker's note it would say: "Exchange to May wheat" at such and such a price.

By Mr. Douglas (Weyburn):

Q. What commission would be paid?—A. One-sixteenth of a cent on that particular transaction.

By Mr. Quelch:

Q. The cash wheat price is generally about the price paid?—A. I beg your pardon?

Q. The price at which you sell would be slightly higher than the board's price?—A. It is now, yes. You mean the board price of 70 cents as against what we can get now?

Q. Yes.—A. Yes.

Then to go on with the transaction as far as the board is concerned I want to again say that if the board did nothing else in regard to these operations and took no action at all their position would remain unchanged. If they carried that position through to the following May they would have wheat delivered to them on the May future, if they did not go further and exchange it into a July position.

By Mr. Douglas (Weyburn):

Q. Or they may have sold it in the meantime?—A. That is what I am coming to. But in the meantime we would be endeavouring to sell wheat if we could do so, and if we thought it was good business to do it; and to the extent we sell wheat that would reduce the quantity of wheat being sold by the board, but in that case instead of selling the cash wheat which we had received in the first instance we would have sold out the future which we had exchanged for the cash wheat, the reason for the exchange being that it saves us money rather than carrying the cash wheat. Now, then, Mr. Richardson—we were dealing with the exporter—takes that wheat—and just remember that he has exchanged with the board cash wheat, he has sold May futures and purchased cash wheat, and that puts him in a position then where he has wheat at Fort William and he is short in the clearing house; he has sold in the clearing house the same quantity of May wheat.

By Mr. Perley:

Q. And you are long in the clearing house?—A. We are long in the clearing house. He loads that wheat into a boat and he sends it down to, say, Montreal, and under the conditions that apply at the present time the tonnage of the world is controlled largely by the British government—the British Ministry of Shipping. Now, in the meantime the Wheat Board have been negotiating, we will say, with the Imported Cereals Division of the Ministry of Food to sell a round lot of futures and, we will say, the transaction is being completed, and we will say that they sold 300,000 bushels of futures to the Imported Cereals Division. Mr. Richardson sends that wheat down to Montreal and through his agent he is sending out nightly cables—to his agent in London to whom he is sending nightly cables—he is offering actual wheat, wheat which he is shipping to Montreal to the Import Division of the Cereals Board. So they decide to purchase—we are talking about 300,000 bushels—they decide to purchase this 300,000 bushels and they say to Mr. Richardson: We will purchase this 300,000 bushels at a certain premium over May futures—we will say for illustration purposes that premium is 10 cents over, f.o.b. seaboard. That 10 cents is credited to the charges, the

cost of getting that wheat down to the seaboard. The Imported Cereals Division accept the offer of Richardson and they cable the Wheat Board: Give to Richardson's 300,000 bushels of our May futures. Now, remember that Richardsons have sent forward this 300,000 bushels to the seaboard and they are short in the clearing house; but getting back the 300,000 bushels from the Imported Cereals Division makes their position even in the clearing house, and they have sold the actual wheat, so in so far as that particular transaction is concerned they are cleaned up.

By Mr. Ross (Moose Jaw):

Q. Your 300,000 bushels long in the clearing house has been closed out by the 300,000 bushels short?—A. That is right. It means that the original purchase that has been made from the Wheat Board of 100,000,000 bushels—

By Mr. Graham:

Q. Incidentally, Mr. McIvor, Canada has sold to the ultimate consumer 300,000 bushels?—A. Yes.

Q. That is the real crux of that whole transaction, is it not?—A. Yes. The position of the Imported Cereals Division is reduced from 100,000,000 bushels to 99,700,000—reduced by 300,000 bushels. As these transactions go on, the quantity of wheat that the Wheat Board has sold to the Cereals Import Board is thereby reduced. The time comes when they can come to the board and say: We can make fresh contracts and make a new purchase. Now, then, the Imported Cereals Division through, presumably, the British Treasury pay the money to the exporter against his invoice and his ocean documents for this cargo of wheat.

By Mr. Perley:

Q. Pay to whom?—A. To the exporter. Now, I do not know whether there is anything more I can say.

By Mr. Wright:

Q. How does Richardson protect himself from the time he buys the wheat—the cash wheat from you—until he sells it?—A. He is protected by the exchange on the May; he is short in the clearing house.

By Mr. Douglas:

Q. He took future contracts from you?—A. He gave us them.

By Mr. Perley:

Q. Mr. McIvor, if this transaction did not take place until the end of May and you switched to the end of July—if you had not got an order from the Import Committee to take up all your futures you would have had to switch to July; is that it?—A. That has not happened, I do not think, as yet; we have given it up before we have reached that position; but if they had simply remained in the position where they had May futures long they would have arranged to take delivery on those futures from the clearing house.

By Mr. Ross (Souris):

Q. I think what Mr. Perley is getting at is this: your futures contract with the Cereals Import Board is not an ordinary contract as to exchange, but it is a deal made between you and the Cereals Import Board?—A. That is right.

Q. And there is no definite month; it is all delivered at—A. Oh, yes, there is.

Q. I say there is no one month?—A. No, there is a series of months.

By Mr. Perley:

Q. If it is not cleared that way between you and the cereal people—
—A. It is cleared when actually the transaction is completed, when the cash wheat is purchased.

Q. In the meantime how about Richardsons? They have to be clearing their trade.—A. They cleared at the same time that the Wheat Board did; they just cleared their position. Their position in the clearing house is short 300,000 bushels.

Q. In other words, it is just an exchange—an adjustment, is it not, really? You would not need to have a future at all if you adjusted your trade or dealt directly with the representative of the Wheat Board?—A. It is not an adjustment, it is a sale; it is a undertaking on their part to buy that quantity of wheat.

By Mr. Douglas (Weyburn):

Q. You never handle the wheat again from the time it leaves Fort William; Richardson handles the wheat; they are really your agents?—A. No, they are not our agents; they are the owners.

Q. They own the wheat, but they have safeguarded themselves by giving you futures, have they? Actually they are handling the wheat throughout?—A. They are the owners of the wheat. They can do whatever they want to at Fort William.

The CHAIRMAN: Richardson or any other exporter.

The WITNESS: Yes.

By Mr. Douglas (Weyburn):

Q. They can do whatever they want; they are giving a future contract and selling it back in May.—A. They could ship the wheat to Newfoundland if necessary; they are not bound to sell it to the Cereals Board.

Q. In order to protect themselves?—A. Suppose they shipped it to Newfoundland and sold it they would have to go in the market and buy in 300,000 bushels.

By Mr. Ross:

Q. They would buy in 300,000 bushels and they could trade with you later?—A. Yes.

By Mr. Perley:

Q. Take this sale that is reported on page 2 of this report—120,000,000 bushels completed in the first 13 days of May: just follow that through; when would that be delivered?—A. I have just given an example of a similar sale.

Q. I know. You went back to the farmer delivering the wheat, say, in October, out in the country?—A. I went further than that. I said that the Import Cereals Division purchased 120,000,000 bushels through futures for future delivery—they purchased those—they belong to them; and they undertook to take delivery of the wheat if they did nothing in the meantime by making the purchases at those prices. Now, then, the wheat is sent forward from Fort William to the seaboard by the exporters, as Mr. Douglas mentioned, and when they purchase the actual wheat at the seaboard it is for the Wheat Board to give on their behalf to—we will say again Richardsons—the 300,000 bushels of futures which are against the cash actual wheat they have bought thereby reducing the quantity on hand.

Q. Well, if you have this wheat delivered in October and it went forward down to Fort William and you sold it for future delivery and then here again in May you have sold to the British people 120,000,000 in the first two weeks in May—that is futures?—A. Yes.

Q. Just follow that through. How did you deliver that when you have this other that you sold in October for May delivery?—A. Remember our original transaction in October was that we sold cash wheat, actual wheat, and we exchanged it for May, which makes us be the holders of May. When we sell the Cereals Import Board wheat for May delivery, we will say, we reduced the quantity of May that we have on hand because we have sold it to the Import Cereals Division.

Q. This sale in the first 13 days of May—you sold that wheat, you bought another future—made an exchange?—A. No, we just sold it.

Q. You did not deliver them 120,000,000 bushels of May?—A. I know we did not because they told us in the meantime to give this future progressively to the various exporters from whom they bought cash wheat.

By Mr. Donnelly:

Q. For future delivery?—A. Yes.

By Mr. McNevin:

Q. What would be your reaction to the suggestion that the wheat might be handled on the same basis as the bacon at certain set intervals in the course of the year? Those 25,000,000 tons were exported on that basis. Have you any idea why such a proposition would not be satisfactory in the handling of that wheat?

Mr. Ross (*Moose Jaw*): That would be great if you had sold wheat like that for bacon.—A. Answering your question, Mr. McNevin, I think our bacon that goes for export goes to the United Kingdom; does it not, practically all?

Hon. Mr. MacKINNON: Yes.

The WITNESS: Whereas wheat goes out in the form of wheat and flour to a lot of countries.

By Mr. Douglas (Weyburn):

Q. During war time?—A. About thirty or thirty-five million bushels goes in either the form of flour or wheat to neutral countries.

Mr. DiefenBAKER: That would be about 5 or 10 per cent of the total amount.

Mr. Ross (*Souris*): Is that for the whole country?

By Mr. Diefenbaker:

Q. Of the actual amount you purchase during the course of a year, what proportion is sold to neutral countries?—A. If we, for example, took delivery during a crop year, a big year like 1940 of say 400,000,000 or 450,000,000 bushels, there would be about—yes, about 8 per cent to neutral countries; and there would be about 10 per cent home consumption; and the balance would be United Kingdom. The point is this: if you want to deal with the question of what percentage of the total Canadian exports—however, I do not think that was your question.

Mr. DiefenBAKER: No, you have answered the question I asked.

The WITNESS: The percentage of total Canadian exports would be about 15 per cent.

By Mr. Ross (Souris):

Q. What would be the net sales to neutral countries compared with other countries?—A. The neutral countries get offers from the exporters just the same as the Old Country; but as to wheat or flour, whatever the case may be,

and they have no contracts such as the people on the other side have so they just enter the market and purchase the amount of futures to cover their sale in the open market, which we might sell in the open market; that would be a question of judgment.

The CHAIRMAN: The difference being that the British Ministry of Food comes into this country and makes an agreement with the Canadian government to protect themselves in a matter of price, whereas the rest of them are going into the open market and buying their wheat; is that not it?

The WITNESS: Well, I would put it this way; that the British Ministry of Food purchases their wheat forward for two reasons, as I understand it; one is the question of financing, it seems that under their system of financing that the British Ministry of Food must go to the Treasury Department—

Hon. Mr. MACKINNON: Over there.

The WITNESS: Over there, and set up a certain sum of money they wish to pay out for the purchase of wheat and bacon, and all that sort of thing. Now then, in order to have the amount in hand as to such requirements they want to fix the price so they can say this wheat is going to cost us approximately a certain figure. Now, that is one of the reasons; the other reason, I think, is for convenience in operation.

By Mr. Diefenbaker:

Q. Just following the suggestion of the chairman there; in consequence of the present system of operation does the British government get its wheat cheaper than otherwise it would?—A. I cannot answer that question.

Q. Would that be the tendency?—A. I do not know.

Q. Well then, why would not a system such as suggested by Mr. McNevin operate in so far as 85 per cent of the wheat is concerned?—A. They apparently don't think so, Mr. Diefenbaker; because they have made very strong representations that the market remain open.

Mr. DIEFENBAKER: Let us get these representations and close up a lot of argument.

Mr. PERLEY: If there are strong representations there must be some record.

Mr. DIEFENBAKER: If you will produce those that will end about 75 per cent of the present discussion.

The WITNESS: I think that is a point that has been very well covered.

By Mr. Douglas (Weyburn):

Q. They do trade on the open market and support their various operations; don't they buy directly from the board?—A. They buy futures from the board.

Q. They actually do not use the open market?—A. Yes, they do; because they buy futures from the board and those futures are cleared through the clearing house when they take up delivery of the wheat.

Q. They do not buy on the open market in the sense of the speculative market at all?—A. They do not enter the open market the same as they might.

Q. They don't go into the pit?—A. They don't go into the pit.

By Mr. Perley:

Q. When you sell 120,000,000 bushels of an order that is how many months supply for Britain; about six months?—A. Yes—I don't know what they will take this year.

Q. I meant, just approximately?—A. Well, this would be, probably 210,000,000 or 220,000,000 bushels.

Q. For 8 months?—A. Of that about thirty-five or thirty or thirty-one million would go to countries other than Great Britain; so that when you have taken that off you find that they have purchased about 7 or 8 months supply.

Q. Well then, at that set price these futures you have sold on the 13th of May, it says here, that sets the price for a 7 or 8 months supply?—A. That is right.

Q. In other words— —A. Subject to the variations in the case of the cash wheat. That is the basic price.

Q. You sold futures on that basis?—A. That is the basic price.

Q. Therefore, you base your futures on that; there are carrying charges and so on necessary; that really sets the price of wheat for that given period so far as the trade is concerned, and that practically applies to Canada, does it not?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. Suppose wheat was purchased by exporters and it was forwarded on to the seaboard and the exporter sells either to the British Import Cereal Division or to anyone. He can sell to the miller or anybody.—A. Yes.

Q. He just simply closes out the transaction by going to the Grain Exchange for his futures later?—A. He has got in eastern Canada, we will say, four or five million bushels of actual wheat in various positions. Some will be at Halifax, some at St. John and some at the American ports, and he is sending out his offers nightly. Some of those offers may be directed to the British Import Cereal Division and some may be directed for shipment to Portugal or Spain or some other place.

By Mr. Douglas (Weyburn):

Q. Mr. Ross asked you a question and you said yes a moment ago. He said this exporter may sell to a neutral country or he may actually sell to the British Import Cereal Division; is that correct?—A. Yes.

Q. It is not— —A. The actual wheat he can sell.

Q. But he cannot make that sale unless you release the future contract?—A. Oh, yes. He goes into the open market and covers his position.

Q. No, the point is not clear. He cannot sell. I will put it the other way around. The Import Cereal Division will not buy from him unless you release futures?—A. In regard to the Import Cereal Division, yes, but in regard to the neutrals—

Q. I understood that you said yes when he included the neutral countries as well as the Import Cereal Division and others but as a matter of fact it does not apply to the Cereal Import Division.

By Mr. Ross (Moose Jaw):

Q. My question was this: the Canadian exporter of wheat puts the wheat to a forward position and he can then sell that wheat to anybody, either to a neutral country, a miller in Canada, or otherwise. If to the British Cereal Import Division of course it would go through the way Mr. McIvor described; but he can sell to anybody?—A. That is correct.

Q. That is cash wheat?—A. Yes.

By Mr. Ross (Souris):

Q. Does that set the price to the Cereal Import Division?—A. In relation to the price at which the Cereal Import Division originally—

Q. There is that difference between their purchases and the purchases for neutral countries.—A. Yes, the situation is that in regard to a neutral country when he makes his offer he goes into the market the following day and makes his purchase. He does not know exactly the night before exactly what he is going to pay. He may pay half a cent more than the market or half a cent less, depending on the market.

By Mr. Douglas (Weyburn):

Q. But in the case that he sells to the Import Cereal Division the price is set between them and is on the basis of negotiation; it has nothing to do with him or what he paid for the wheat?—A. The price of the futures is fixed, yes.

Q. That is correct?—A. Between us and the Cereal Import Division.

By Mr. Ross (Moose Jaw):

Q. The exporter does not know what that price is?—A. No.

By Mr. Wright:

Q. You said that the Cereal Import Division paid a premium to the exporter over May futures to cover his charges taking the wheat down?—A. Yes.

Q. Plus a commission. What is that commission?—A. I do not know; that commission would vary. What the Cereal Import Division does is this, as I understand it. They get a great many offers from a lot of exporters and they naturally would accept the cheapest offer, which makes for competition between exporting firms.

Q. How many exporting firms are there in Canada?—A. I would say approximately twenty.

Q. They are competing selling?—A. Yes.

By Mr. Douglas (Weyburn):

Q. Who pays the exporter?—A. Whatever profit he makes he adds it to his price on the actual cash wheat and the Import Cereal Division would receive offers from probably ten or twelve exporters and they would accept the cheapest, the idea being to limit the amount of profit as much as they can.

By Mr. Wright:

Q. If those exporters got together and said we will offer wheat at a certain price then they could get what they wanted to ask.—A. I think they are pretty keen competitors.

Q. We have no evidence to that effect. Unless you produce evidence here we have no evidence that they are keen competitors in the selling of wheat.—A. I am expressing a personal opinion and I think they are very keen competitors.

Q. Have you any figures to show they are keen competitors?—A. No.

By Mr. Quelch:

Q. Has the price paid by neutral nations for Canadian wheat been higher or lower than that paid by Britain?

The CHAIRMAN: I submit that is coming very closely to the question that was asked in the house the other day.

Mr. QUELCH: I am not asking the price; I am asking for a comparison between the prices.

The CHAIRMAN: I question very much whether the other question asked the other day is not involved in that.

Mr. DOUGLAS (Weyburn): Would not the witness be the best judge of whether or not he can divulge the information?

The CHAIRMAN: I want to indicate this to the committee. The witness here is here, of course, as an official of the government and as the chairman of the Wheat Board. In his position, of course, he is bound to give whatever evidence the committee requires. He can, of course, state whether he thinks it is in the interest of the Wheat Board or the general operations of the Wheat Board to give that evidence; but this committee must assume the responsibility

and recognize the distinction which, I think, should be maintained between the government policy with respect to a government operation and the details of the board's operation.

Mr. QUELCH: I am only asking the question to find what effect the differences in the method of purchasing wheat have upon the price, whether it raised the price or lowered it.

The WITNESS: May I just say something?

The CHAIRMAN: You can give whatever explanation you like.

The WITNESS: I have no objection to answering each question beyond this, that it would require detailed answers due to the varying positions and varying periods and it might be harmful. I will leave it to the committee to decide.

By Mr. Perley:

Q. Mr. McIvor, just on that point, this report gives a monthly statement with a chart showing the offers of the Canadian exporters.—A. I do not know what report that is, Mr. Perley.

Q. I think you have seen it.—A. What is the date of it?

Q. This one is dated January 24.—A. What year?

Q. They give the year 1941 right up to January 24, 1942. This gives the months of January, February, March, right through to January again, twelve months in the last year prior to—

Mr. ROSS (*Moose Jaw*): What are you speaking of, shippers' offers to the United Kingdom?

Mr. PERLEY: Yes. This shows the offers at seaboard, Saint John and the St. Lawrence ports, giving the months that they are open and the offer. Does that give the price at which the wheat was sold? Those are exporters selling wheat?—A. I do not even know what the figures are, Mr. Perley.

Q. You can look at this chart, if you like. That is the offer for each month that the Canadian exporters have been offering wheat at. I do not think they are selling it very much lower at Montreal. I am assuming you equalled that price.

Mr. ROSS (*Moose Jaw*): He has told you he does not want to tell you that.

Mr. PERLEY: Then I might ask the minister.

Mr. ROSS (*Moose Jaw*): These are seaboard prices that the exporter sells at; it is not the price the British Cereal Import Division buys at.

Mr. PERLEY: It is not?

Mr. ROSS (*Moose Jaw*): No.

Mr. PERLEY: I should like Mr. McIvor to explain what Mr. Ross has said. Why is it not?

Mr. DIEFENBAKER: Does not somebody else get a profit in between?

Mr. PERLEY: It must be lower; it would not surely be more.

Mr. DOUGLAS (*Weyburn*): I am not clear about that point.

The CHAIRMAN: Order, gentlemen.

By Mr. Douglas (Weyburn):

Q. I am not familiar with this set-up. I wonder if you can explain it a little more. Assuming that the Imported Cereal Division got in touch with you and decided to take a quantity of wheat at a negotiated price, say, for the sake of being specific, 85 cents, and told you that they have arranged with James Richardson, who have a quantity of wheat at Montreal; now, to whom do they pay this 85 cents?—A. The actual mechanics, Mr. Douglas, are these: it naturally follows that if the price was 85 cents and we gave up those futures to Richardsons at that price that the price would be disclosed immediately because Richardson would know that was the price, if it was 85 cents.

Q. But what happens?—A. So the method that is followed is this: the futures are exchanged at the closing market price of that date, and if the market was higher we would transfer to the Cereal Import Division the difference in dollars or sterling; and if it is lower they transfer to us in dollars.

Q. You would pay James Richardson, would you?—A. No.

Q. They hold the cash wheat?—A. Yes. The price that Richardson would get from the Imported Cereal Division would be the price at which the futures were exchanged on that date plus the shipping cost to the seaboard plus whatever profit they would make on the transaction.

By Mr. Perley:

Q. Mr. McIvor, there is no secret so far as this price is concerned when the trade is cleared through the clearing house?—A. Yes, there is, because it is not cleared through the clearing house at the price of the original sale, it is cleared at the daily price.

By Mr. Diefenbaker:

Q. When more is paid than is actually received you reimburse them for that amount?—A. No. I said, if the futures was exchanged at a price higher than that of the original sale to the British we would reimburse them; if it is exchanged at a price lower they reimburse us.

Q. And under what heading of your accounts do you set out the amount so paid?—A. You will have to ask Mr. Findlay that question.

Q. You say you do not know?—A. I am not familiar with it, Mr. Findlay is.

Q. You are not familiar; that is all I want to know. If you say you do not know that is the end of it.—A. I am always prepared to say I do not know.

The CHAIRMAN: Are there any other questions, gentlemen, along this general line?

Mr. DIEFENBAKER: Yes, Mr. Chairman. May I ask this in connection with the representations made by the British government referred to by Mr. McIvor? Before to-morrow morning I move that all letters and communications between the British government and the Department of Trade and Commerce or the Wheat Board requesting the continuance of the present system be produced before this committee.

Mr. ROSS (*Souris*): I would second that. I would like to ask further, in view of the remarks made this morning and also the statement made by the minister that certain things had been done before he was minister, if it is in order, that we add the ex-Minister of Trade and Commerce, now Senator Euler, to be brought before this committee and have this misunderstanding cleared up with regard to what transpired a few months before war was declared when the British government closed their exchange and intimated to us that they would prefer that we have our exchange remain open.

The CHAIRMAN: What is the ruling with respect to calling senators?

(Clerk explains procedure with regard to calling senators before House of Commons committees.)

Mr. GRAHAM: I must admit, as I have listened in the house and in this committee to repeated requests for disclosure of the price that we have received for wheat from the British government and in the light of the explanation of the Minister of Trade and Commerce with regard to that request, wherein he has stated that he has asked the permission of the British government to make the information available and their reply that they preferred that it be not made known, I am frankly astounded at the lack of recognition of Canada's relationship to Britain. I do not know the reasons, though I can easily think of a dozen reasons why Britain would not want that price disclosed.

Mr. DIEFENBAKER: No.

Mr. GRAHAM: Or the reasons that would dictate Britain's not wanting the price disclosed.

Mr. ROSS (*Souris*): It has nothing to do with the price. It is only as to keeping the Grain Exchange open. It has nothing to do with the price at all.

Mr. DIEFENBAKER: I am in entire agreement with what the minister has said. He has given his statement, and when he has given his statement, I accept it. This is not what I am asking for. I have made it perfectly clear, but apparently Mr. Graham did not follow me. I am asking for the production of all letters and communications between the British government and the minister, the Department of Trade and Commerce, or the Wheat Board, instructing them to continue the present system dealing in futures, and so on.

Mr. GRAHAM: I should like to hear that statement.

Mr. ROSS (*Souris*): I have faith in the minister and I would not try in any degree to find out what the price is. It is simply in regard to keeping the Grain Exchange open.

The CHAIRMAN: Would you write out your motion, Mr. Diefenbaker?

Mr. DIEFENBAKER: Yes.

Mr. EVANS: I think we should have the views of the minister on that.

By Mr. Douglas:

Q. While we are waiting, I should like to ask Mr. McIvor this question. Does the Wheat Board ever buy cash wheat in the open market?—A. Buy outright?

Q. Does it ever buy cash wheat at all?—A. No. The only way we would obtain cash wheat other than from the producer is delivery on futures.

By Mr. Donnelly:

Q. You buy from your agents in the country?—A. I want to make this exception, that under order in council 1803, we do buy cash wheat. If you want me to deal with that later, I shall be glad to do so.

By Mr. Douglas:

Q. That is, you do buy cash wheat by taking delivery of futures?—A. No. Under the order 1803, special powers were given to the board to prevent profiteering in the market. Under that order we do buy cash wheat, and I shall be glad to explain that when we come to it.

Q. I wish you would.

Mr. GRAHAM: In regard to the motion that has been made, may I say that I misunderstood the purpose of the motion. I must confess, as an individual member of this house—in view of the fact that Canada's relations with the mother country with regard to wheat have been largely left to the discretion and judgment of the Minister of Trade and Commerce—I should like very much before I vote on this motion, to be advised by the minister as to whether he thinks it is proper, fitting and wise, for that information to be given to this committee.

Hon. Mr. MACKINNON: Mr. Chairman and gentlemen, I have in mind at least one communication and possibly more. I see no reason why I should not bring those here unless the nature of the documents passing between the British government and the Canadian government or governmental agency makes them privileged documents or documents that we should not reveal without getting the permission of the British government. That is the whole point. Personally I do not see any reason why they should not be produced if we, continuing in good faith with the British government, have the right to produce them.

Mr. ROSS (*Moose Jaw*): You would have to get that permission.

Hon. Mr. MACKINNON: It has just been drawn to my attention, too, that the request I have in mind is included in an actual contract existing, and we could not give that part of it.

Mr. DIEFENBAKER: You could delete that.

Hon. Mr. MACKINNON: Would it not be possible, Mr. Chairman, for me to find out if it would be proper to submit these documents to the committee and at the same time keep faith with the British government?

Mr. ROSS (*Souris*): That is all we want.

Mr. PERLEY: There is only one document that deals with the matter, is there not?

Hon. Mr. MACKINNON: I think the information is in the nature of cablegrams.

The CHAIRMAN: Would it be satisfactory if the minister undertook to provide the information if he is allowed to do so?

Mr. GRAHAM: I think we should let the motion stand until the minister ascertains whether he can produce the information.

Mr. DOUGLAS: Could either the minister or the witness state whether or not the British government intimated that they would not continue to purchase our wheat if we changed our system of handling it and closed the futures trading market?

The WITNESS: Not to my knowledge.

Mr. PERLEY: Please let me have that document, Mr. McIvor.

The CHAIRMAN: Gentlemen, it is now ten minutes to six. When do you wish to meet again?

Mr. DOUGLAS: Tomorrow morning. We cannot keep the members of the board here.

The committee adjourned at 5.53 o'clock p.m. to meet again tomorrow, May 14th, at 11 o'clock a.m.

CA1
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, MAY 14, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board

APPENDIX No. I

CANADIAN WHEAT BOARD

Comparative Cost of Spread Basis, as Against Full Carrying Charges.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

THURSDAY, May 14, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Cardiff, Clark, Davidson, Diefenbaker, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Gardiner, Graham, Hatfield, Henderson, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Mullins, Perley, Rennie, Rheame, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Rowe, Senn, Soper, Ward, Weir, Wright—37.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:
Mr. George McIvor, Chairman of the Canadian Wheat Board;
Mr. C. Gordon Smith, Ass't Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller; and
Mr. C. B. Davidson, Statistician.

The Minutes of previous meetings held May 13 were read and approved.

Hon. Mr. MacKinnon addressed the Committee on the requests contained in the motion standing for consideration in the name of Mr. Diefenbaker; he also read a cable addressed to Mr. George McIvor, Chairman of the Canadian Wheat Board, from the British Government and signed by Mr. Hooker for Mr. Biddulph.

Mr. George McIvor was called to the witness stand and his examination continued. During this examination discussion took place and Mr. Diefenbaker, seconded by Mr. Rowe, moved the following:—

That the Board do produce to this Committee a complete record of all brokerage fees of all kinds, and commissions paid since the outbreak of war, the persons or corporations to whom such payments were made; the amounts paid to each, and the particulars of services rendered therefor respectively by each of the said persons or corporations.

Considerable debate took place and Mr. MacKenzie (*Lambton-Kent*) moved that the Committee do now adjourn.

The Chairman put the motion and it was passed in the negative. For, 4; against, 12.

The question being called on Mr. Diefenbaker's motion by the Chairman, a recorded vote was asked for and the names were taken as follows: Yeas: Messrs. Aylesworth, Cardiff, Diefenbaker, Douglas (*Weyburn*), Fair, Hatfield, Perley, Ross (*Souris*), Ross (*Middlesex East*), Rowe, Senn, Wright—12. Nays: Messrs. Davidson, Evans, Fontaine, Furniss, Gardiner, Graham, Henderson, Lalonde, MacDiarmid, McCuaig, McCubbin, McGarry, Matthews, Mullins, Rennie, Rheame, Rickard, Ross (*Moose Jaw*), Soper, Ward—20.

Motion passed in the negative as above.

The Committee then adjourned to meet again on Friday, May 15, at 11 a.m.

Walter Hill,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 14, 1942.

The standing Committee on Agriculture and Colonization met at 11.10 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order I will ask the clerk to read the minutes of yesterday's proceedings.

(The Clerk of the committee read the minutes of yesterday's proceedings.)

The CHAIRMAN: What is your pleasure, gentlemen? (Motion to adopt the minutes duly carried.)

Gentlemen, arising out of yesterday's proceedings I think there was a suggestion made by Mr. Diefenbaker regarding the motion which he made but did not press with respect to a statement from the minister.

Hon. Mr. MACKINNON: Mr. Chairman and gentlemen: I can make what I may call a progress report. I have here a cablegram dated London, England, July 23, 1940, addressed to Mr. George McIvor, which reads as follows:—

Please transmit to government the following message dated 23rd July from Cereal Imports Branch Ministry Food quote This branch of the Ministry of Food is desirous that the Winnipeg futures market be kept open to enable the free movement of grain through normal trade channels stop It feels it is only by this method this country can secure shipment of the maximum quantity of Canadian grain and under present conditions hesitates to experiment with the delicate trade mechanism signed on behalf of the committee A. Hooker, Deputy Director, Cereal Imports unquote

and the cable is signed by Mr. Biddulph, the Commissioner of the Canadian Wheat Board resident in London, England.

Then in the House on June 9, 1941, Mr. Perley asked:—

Who is the representative of the Cereals Import Branch on the Winnipeg market?

and my reply was:—

There is no representative. I have repeatedly answered a similar question by the hon. member for Qu'Appelle. The cereals import committee have no representative in Canada. I quote from the telegram: "Cereals of course must be assured that the market remains open." "Cereals" means the Cereals Import Branch of the United Kingdom Ministry of Food."

That is all I have in my files here. We understand that there may be further communications apart from the actual contract itself in the Winnipeg files. We made arrangements to get an air mail letter off to Winnipeg last night to have these files gone over and this information secured and returned by air mail, but on account of the fog the plane did not leave, and there may be some delay in getting replies from Winnipeg. I understand, however, that part of the contract for the purchase of the wheat designates that the Winnipeg Grain Exchange is to remain open. That is all I can report to you now, gentlemen, but as soon as we receive word from Winnipeg the information will be transmitted to you.

Mr. PERLEY: Can you give us the date of the contract approximately?

Mr. GEORGE McIVOR: The annual reports refer to the dates up to that time.

Hon. Mr. MACKINNON: Chairman, we shall have that information within a day or two.

Mr. FAIR: What prompted the first cablegram read by the minister in connection with keeping the grain exchange open?

Hon. Mr. MACKINNON: I have no background to that at all. The cablegram speaks for itself.

Mr. FAIR: I do not think that cablegram would come out of a clear blue sky. There must have been some reason for it.

Hon. Mr. MACKINNON: There may have been other conversations, too.

Mr. DOUGLAS (*Weyburn*): A cablegram addressed to whom?

Hon. Mr. MACKINNON: To Mr. George McIvor under date July 23, 1940.

Mr. PERLEY: There was a six months' period before that.

The CHAIRMAN: I rise to get the committee under way again. There has been a good deal of discussion in the committee, and I wonder how far the committee should go in its examination of the representatives of the Wheat Board with respect to whether or not the grain exchange should remain open. I look at it this way, gentlemen, that leaving the grain exchange open and permitting it to operate is a matter of government policy. The Wheat Board Act sets up the policy under which the board shall operate and I doubt if the Wheat Board should be placed in the position of defending or otherwise the policy the government has embarked upon. Now, you may get all the information you wish with respect to the operations of the board, but so far as keeping the exchange open or otherwise is concerned, that is a matter of government policy which more properly, in my judgment, would come up in discussion in the House, rather than having the Wheat Board placed in the position of declaring one way or the other with respect to it. I think we should appreciate the position the Wheat Board is in, concerning a matter of that kind.

Mr. George McIvor is still on the witness stand. Are there any further questions?

Mr. DIEFENBAKER: Mr. Chairman, in connection with the statement you have just made, may I say this is not a question as to whether or not the Winnipeg Grain Exchange shall remain open. We are endeavoring to get information as to the circumstances connected with the use by the Wheat Board of the Winnipeg Grain Exchange.

The CHAIRMAN: The other matter has been interjected, probably inadvertently.

Mr. DIEFENBAKER: My reason for asking the question is that I understand the Wheat Board is not using the Winnipeg Grain Exchange as they did prior to the outbreak of war, and that is the reason for the request for information made yesterday, namely, for a list of all members of the grain exchange who have received brokerage either under the head of spreads or commissions, and also a record setting out what those commissions were paid for. Because if it should so transpire that the Wheat Board is utilizing the services of the Winnipeg Grain Exchange today in a way whereby preference is given to certain brokers to the detriment of others, we want to know it; and if it should not, we want to know that, too, in fairness to the Wheat Board. That is why I think we could shorten the proceedings here very much if the Wheat Board would give us a list setting out both cash brokers and option brokers, how much they received, and for what purposes they received it. That is what I intended to pursue whenever my opportunity to ask some questions arises. Certainly I have not intruded on the time of the committee. If we had that information, how much easier it would be for us, instead of

asking so many questions with regard to the matter. Give us the information, if there is nothing to hide. Yesterday Mr. McIvor said there had been no communication between the British government and himself, and surely he would remember that there had been.

The CHAIRMAN: Mr. Diefenbaker has raised two questions here. One is that the Wheat Board is not functioning properly and utilizing the facilities of the Winnipeg Grain Exchange in the same manner as that it did before the end of this crop year.

Mr. DIEFENBAKER: No; since the beginning of the war.

The CHAIRMAN: The other point is with respect to providing information as to how brokerage charges are distributed. I do not know what the Wheat Board has to say with respect to its operations or any change in policy with respect to its operation. Perhaps the Board can give that. I do raise a question with respect to the other matter which I think the committee should consider. I bring this up because it was brought up in a previous committee in 1936. I leave that question before the committee.

Mr. Ross (*Souris*): Shortly after the declaration of war one of the members of the Wheat Committee was in the old country, and presumably he discussed the matter of the operation of the Winnipeg Grain Exchange along with other matters, and so from that time the whole operation of the grain exchange and the procedure of the Wheat Board in connection therewith is relevant. I do not know where you can cut it off. Since that time a period has elapsed during which the present Minister of Trade and Commerce was not in office and cannot be held responsible. How you are going to decide that we must not discuss the operations of the Winnipeg Grain Exchange apart from the operations of the Wheat Board, I do not know.

Mr. Ross (*Moose Jaw*): I protested yesterday when this point came up. I was on the Wheat Committee in 1936 when the same information was asked for, and at that time the committee did not allow the information to be given because they thought it was not in the best interests of the handling of wheat in this country. I believe under the McFarland Board the same thing came before the committee between 1930 and 1935, although I was not here, and again the information was refused. I think there are many good reasons for refusing it. Before any information is given let me say I remember in 1936 the then chairman of the Wheat Board was asked whether it would be in the public interest to give such information, and he said No. I would like to have the word of the chairman of the present wheat board as to whether he thinks it is in the public interest to give this information before the committee proceeds further.

Mr. DOUGLAS (*Weyburn*): With reference to the matter of the Winnipeg Grain Exchange, I am not in agreement with you when you say that the Wheat Board Act sets out the policy and that the board operates under it. The Act does not stipulate the manner in which the wheat shall be bought or sold.

The CHAIRMAN: Yes, it does.

Mr. DOUGLAS (*Weyburn*): No. Section 7 reads in part:—

The Board shall undertake the marketing of wheat in interprovincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—

- (a) to receive and take delivery of wheat for marketing as offered by the producers thereof;
- (b) to buy and sell wheat: Provided that no wheat shall be purchased by the Board except from the producers thereof;
- (g) generally to do all such other acts and things as may be necessary for the purpose of giving effect to the intent and meaning of this Act.

Mr. GRAHAM: Continue reading, Mr. Douglas. There is another clause there.

Mr. DOUGLAS (*Weyburn*): May I point this out—

Mr. GRAHAM: Read it all, please.

Mr. DOUGLAS (*Weyburn*): There are several clauses.

Mr. GRAHAM: There is one clause that says they must utilize and employ with discrimination the existing facilities.

Mr. DOUGLAS (*Weyburn*): The point I am making is that the policy is not determined by the Act, but by the present government, and that policy may be changed from time to time. This committee is seeking to determine what is the effect of using the futures trading market. There is no endeavour being made to ask the chairman of the Wheat Board to give his reasons for following a government policy, but this committee has the right to ask the chairman of the Wheat Board what is the effect of the government's policy, how it functions, and what advantages or disadvantages are accruing. That is within the purview of this Committee. You cannot lay the responsibility on the Wheat Board. The responsibility for policy lies with the government, but the effects of that policy are something that this Committee has the right to ask the Wheat Board about and I think we are within our rights in asking Mr. McIvor questions with respect to the effects of closing the grain exchange.

Mr. McNEVIN: I suggest that in our discussion on this matter we should avoid seeking definite commitments on policy with respect to the closing or leaving open of the grain exchange, because if we have only one customer for wheat and that customer definitely requests that the grain exchange be left open it is a waste of time and futile for us to build up a discussion on the question.

Mr. GRAHAM: I do not know that I heard all that Mr. Douglas submitted, but I would like to point out sub-section (i) of section 8, of the Canadian Wheat Board Act:—

8. It shall be the duty of the Board:—

- (i) In selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the Board in its discretion may determine;

Obviously that section could not be disregarded or over-ridden by this Wheat Board or any Wheat Board that formerly sat. It would be governed by the Canadian Wheat Board Act, and therefore the grain exchange facilities and the different groups that operate under that grain exchange must be employed by the Board; they have no right to do otherwise. I thoroughly agree with the chairman of the committee that nothing should be introduced that is not within the reference. The reference, as you know, is merely for the purpose of considering the reports of the Wheat Board through certain years. There is no suggestion that we consider for a moment the provisions contained in the Canadian Wheat Board Act, and I submit that in the light of the statutory provisions we would be very unwise, particularly those of us who have the interests of the wheat growers at heart, to involve the Wheat Board in a controversy that we all know is of long standing. The closing or keeping open of the Winnipeg Grain Exchange has been a matter of controversy for some years in Western Canada, and the relationship of the Wheat Board in carrying out its duties to the producers is a very important matter; so I for one think we would be doing the whole of the wheat marketing system a real injury if we involved the Wheat Board in a controversy that excited further discussion. This question has been the subject

of more inquiries and royal commissions than any other matter in this country. I submit that we should stick to the terms of the reference and be careful not to involve the Wheat Board in this very controversial subject.

Mr. DIEFENBAKER: I have followed Mr. Graham with a great deal of interest, and in some matters I agree with him, but I think he failed to refer to the qualifying words of section 8 which do not permit of the discussion of just the matters we are endeavouring to bring out. Clause (i) reads:—

8. It shall be the duty of the Board:—

- (i) in selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the Board in its discretion may determine;

That is exactly the reason for these questions. We want to know whether or not the Wheat Board is living up to the provisions of the statute and utilizing the brokerage firms and other facilities without discrimination. That is the whole essence of the matter, and that is why we want the information. Some 106 brokers who are members of the Winnipeg Grain Exchange have from time to time received commissions or brokerage by way of spread for certain transactions, whether real or nebulous, and we want to know the names of the brokers in the Winnipeg Grain Exchange who are in good standing, how much each of them has received, and how much service each of them has rendered for the monies paid. Our information—and I say this subject to the evidence that may come out—is that when the war broke out the members of the Winnipeg Grain Exchange did appeal to the government in regard to the condition they were in, a condition similar to that which existed in England after the closing of the exchange there; that the matter was submitted to the Wheat Board in Winnipeg, and in turn the question as to whether or not these men should receive payments for services real or nebulous was submitted to the Board; that later on a scheme was effected whereby payments were made to various brokers; that there is no equality or semblance of equality in the payments that are made; that the lowest amount paid per month runs between \$50 and \$75; and that very large sums have been paid to friends of the Wheat Board, or in any event that there has not been any equality of payment. That is why we want these records. If the chairman of the Board produces the records and they show that there is an equality or a reasonable semblance of equality in the amounts paid to the members of the grain exchange for similar services rendered, then the whole situation will be cleared up; and I shall be the first one to say that the information I have suggested could be brought out is in fact without foundation. We ask for the production of those records in order to ascertain whether or not the Wheat Board to-day is operating without discrimination and is utilizing and employing such marketing agencies as commission agents, brokers, elevator men, exporters and other persons with the degree of equality which those persons have the right to expect and which we, as members of this committee, have the right to ask the Wheat Board to observe.

Mr. DOUGLAS (*Weyburn*): With reference to what Mr. Graham has just said, surely he will be familiar with the rest of this section which substantiates the position I took at the outset. Section 8, subsection (i) says:—

8. It shall be the duty of the Board:—

- (i) in selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the Board in its discretion may determine;

It may determine to what extent it will use these services, and therefore we have a right to know why they are using certain services.

Mr. GRAHAM: No; the clause is mandatory. They must use them in discretion.

Mr. DOUGLAS (*Weyburn*): Clause (j) says:—

8. It shall be the duty of the Board:—

- (j) to offer continuously wheat for sale in the markets of the world through the established channels: Provided that the Board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels;”

In other words, the Board has power, if it decides that the channels it is now using are not satisfactory, to use some other channels; and we have the right to ask if they considered that these channels they are now using are satisfactory and if they are not, why are they not using other channels. I will read clause (k):

8. It shall be the duty of the Board:—

- (k) With the approval of the Governor in Council to make such investigations as from time to time it may deem necessary of the operations of the Winnipeg Grain and Produce Clearing Association and the Winnipeg and Vancouver Grain Exchanges in their dealings in wheat and other grains where such wheat and other grains are the subject of transactions affecting interprovincial or international trade, and for the purposes aforesaid the Board shall have, without the issue of any commission, all the power and authority conferred upon a commissioner appointed under the Inquiries Act, being chapter ninety-nine of the Revised Statutes of Canada, 1927, and shall from time to time report to the Minister the result of such investigations.”

I submit, Mr. Chairman, that they have not only power to decide what part of the established channels they shall use, but they have power to decide if those channels are not satisfactory and to establish their own channels, and power from time to time to investigate the Winnipeg Grain Exchange and report to the minister. Therefore I submit that we are quite in order in asking them why they use the established channels, why some other channels set up by themselves would not be more satisfactory, and what are the results of their investigations into the Winnipeg Grain Exchange. It is not established by statute that they have to trade in the futures market. There is not a line in Section 8 that requires them to use such services.

Mr. FAIR: May I point out that all the clauses in the Canadian Wheat Board Act were put there by parliament, and if we as a committee or as members of parliament find they are working to the detriment of that wheat board or the Canadian farmers and Canadians as a whole, we have every right to change them and insert such wording as will ensure that the Wheat Board and the grain exchange can be employed in the best interests of the people. Personally I am not satisfied, and it affects me in the pocket as it does not affect a good many others, that the grain exchange is rendering the service it should; and if the Wheat Board is able to sell large quantities of grain to the British Cereals Import Board as it does, it can do the same along other lines at a vast saving to Canada as a whole.

Mr. PERLEY: Mr. Douglas has referred to the Act and read practically all the important clauses. I had something to do with the framing of this Act, and

it was intended then that the powers granted to the Board should be for the purpose only of disposing of the futures held by MacFarland and turned over to this Board at that time.

With respect to the statement made by Mr. Ross, he is quite correct. In 1936 when we had that investigation I moved, just as Mr. Diefenbaker is moving today, for a list of names of brokers, and Mr. Ross will recall that I named them and he made a motion that they be not asked to vote. It is quite clear. Here is the evidence given by Mr. James R. Murray in answers to questions I put to him, appearing at page 161 of the Minutes of Proceedings and Evidence on Tuesday April 28, 1936. I asked him as to using the grain exchange:—

“Under the Act the board had no power to buy wheat other than from the producers thereof?”

and Mr. Murray answered:

“That point is quite clear.”

Then:

“Q. As far as dealing in futures is concerned, it was only to clean up the futures they had, the long wheat they held?—A. That was to sell the futures contracts.”

I want to put it to Mr. McIvor in this way: He said yesterday they were using 116 cash brokers and option brokers, and that there were good and bad brokers. Now, this Act as Mr. Douglas has pointed out under clause (j) says that if in the opinion of the Board any existing agencies are not operating satisfactorily they may establish their own or other marketing agencies or channels. They have no open market in Britain. They are getting along under a system they have established. The government of Canada is behind this Wheat Board. Under the Act they issue permits for a person to trade. The farmer cannot deliver a bushel of wheat to anybody except under permit. They get 70 per cent of the wheat, and, as I say, they have the government of Canada at their back. Can they not become merchandisers of grain and get along without this grain exchange? Mr. McIvor has had a lot of experience in handling grain, and so has Mr. Ross of Moose Jaw. If a grain firm is strong enough they need not hedge wheat at all, and any Wheat Board with the government of Canada behind its back does not have to fiddle with hedges. They can merchandise this grain, and employ any system they desire just as they do in Great Britain. I would like to ask Mr. McIvor if he does not think that with the Dominion of Canada behind the Board and the powers they have to control the delivery of wheat, they could not set up an agency to get along quite well without the Winnipeg Grain Exchange.

Mr. GRAHAM: We do not want to get into a long-winded legal argument here, but I would like to reply to Mr. Douglas, Mr. Diefenbaker, Mr. Perley and Mr. Fair. Mr. Fair is quite right in stating that parliament or a committee of parliament can deal with the advisability of keeping open the grain exchange or closing it; but that is not the point. There is a confusion of ideas. Mr. Diefenbaker raises the point that the Wheat Board should be requested to disclose the manner in which they are using these agencies which the Act renders it mandatory that they should use in carrying out their operations, and with that point I thoroughly agree, provided it is advisable. That is not the point that Mr. Douglas and Mr. Fair and Mr. Perley are dealing with. They are dealing with the question whether this committee should consider the advisability of closing or using the grain exchange facilities. Mr. Douglas says that this Act obviously gives the Wheat Board that power, but I do not think any lawyer would agree with Mr. Douglas in his interpretation of this Act. When an Act like this is framed which imposes on the Wheat Board the duty of utilizing and

employing without discrimination the marketing agencies as it, in its discretion, may determine; and any lawyer knows it imposes the duty of utilizing these agencies. Then clause (j) says:—

It shall be the duty of the Board:—

- (j) to offer continuously wheat for sale in the markets of the world through the established channels: Provided that the Board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels;

But again that does not give to the Wheat Board any right arbitrarily to say: "We are dissatisfied with the grain exchange." If I were a member of one of these marketing agencies such as commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities, I would immediately move in the Courts of this country and insist that the Wheat Board shall before they take the step of setting up other facilities, show that they are not operating satisfactorily.

Mr. DOUGLAS (*Weyburn*): "In their opinion".

Mr. GRAHAM: You cannot exercise statutory opinion arbitrarily. You must have some ground. It would be proper to ask the Wheat Board if these facilities have operated satisfactorily.

Mr. DOUGLAS (*Weyburn*): That is what we are asking.

Mr. GRAHAM: I have in mind the suggestion that we should not enter into a long and costly investigation of something beyond our purview or without the reference, and I submit that any lawyer will agree with my interpretation of that Act.

Mr. DOUGLAS (*Weyburn*): I am not going to get into a legal argument with a lawyer, because I do not know anything about law; but I can read the English language, and the Act says:

It shall be the duty of the Board:—

- (i) In selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the Board in its discretion may determine;

That is plain English, Mr. Chairman. The Wheat Board has it in its discretion to set up its own agency if it so chooses, and therefore we have the right to ask the Wheat Board why they are continuing to use the existing agencies and whether they are satisfied with them from the standpoint of the best interests of the producers of Canada and the people of Canada.

Mr. FAIR: I think we are quite within our rights in asking for information along certain lines with the intention and purpose of bettering the interests of the producers.

Mr. ROSS (*Moose Jaw*): A while ago I was not protesting along the lines of this argument. I think it is quite proper for us to ask the Chairman of the Wheat Board if the facilities he is using in the trade are satisfactory or not. The point I am raising is in regard to the naming of certain brokers and stating the amounts of money they received when that information was refused before a former committee, because the Chairman of the Wheat Board at that time said it was not in the public interest to give that information. There are many other things done in the same way.

Mr. FAIR: Two wrongs do not make a right.

Mr. ROSS (*Moose Jaw*): Who says it is a wrong? I am asking the Chairman of the Wheat Board to tell us whether he thinks it is in the public interest or not to give this information. For instance, we have a Victory Loan Committee, and commissions are given to bond salesmen throughout the whole country. Is that information given? It is not.

Mr. DOUGLAS (*Weyburn*): It should be.

Mr. ROWE: It may be, yet.

Mr. ROSS (*Moose Jaw*): My question to Mr. McIvor is: Do you think it is in the public interest that Mr. Diefenbaker should be furnished with the names of the brokers and the amounts paid to each?

Mr. SENN: Can you give any reason why it is not in the public interest?

Mr. ROSS (*Moose Jaw*): Yes, I think I could; but I think Mr. McIvor can give all the reasons, whereas I might give only one or two. These people are dealing on the Winnipeg Grain Exchange all the time, and will be dealing there again. One broker is not as good as another, as everybody knows.

Mr. PERLEY: Are they not all agents of the Wheat Board?

Mr. ROSS (*Moose Jaw*): Supposing they are. One broker may be a good broker for a certain kind of transaction and another broker may be a good broker for another kind of transaction; and one broker may be able to handle bigger trades better than another broker.

Mr. ROSS (*Souris*): Why should we not know that?

Mr. ROSS (*Moose Jaw*): I am asking the chairman of the Wheat Board if it is in the public interest to give this information. You know as well as I do that if this information is given out they will say: "This fellow made so much and I only made so much," and you are going to cause controversy there, and also show by giving the figures out, who the brokers are who are making the bigger trades for the Wheat Board, which is something that may not be in the interests of the country.

Mr. ROSS (*Souris*): Why not?

Mr. ROSS (*Moose Jaw*): Because to-day when all the brokers are being used by the Wheat Board and nobody knows who are making the bigger trades for the Wheat Board it is hard for the grain men on that floor to find out just exactly what the Wheat Board is doing with wheat at a certain time; but if they can spot the men that are making certain deals in the trading, then they can get a pretty good idea of what the Wheat Board is doing all the time, which is not in the interests of the country.

Mr. DIEFENBAKER: Before the chairman of the Wheat Board answers that question I would like to point out that much was made of the necessity of having Mr. Hanson here, and it was stated yesterday that the reason he was wanted here was for the purpose of explaining where he got the information upon which he based certain questions asked in the House, and we objected on the ground of principle, that once you get to the position of calling a member of the House of Commons to produce the name of his informant that would complete the control of the members of the House to the extent that no member would get any information. Let me read what Mr. Hanson read at page 1508 of Hansard. I refer to this because Mr. Ross of Moose Jaw stated that one broker is not as good as another, and one broker may be better able to handle bigger trades than another. What transactions are these men carrying out? They have the same purchaser for the portions sold in Canada to the millers.

Mr. ROSS (*Moose Jaw*): Oh, no.

Mr. DIEFENBAKER: You can answer later on.

Mr. ROSS (*Moose Jaw*): I say that statement is not correct.

Mr. DIEFENBAKER: You can challenge me later and show that it is not. I now quote from page 1508 of Hansard:—

I want now to deal with another matter, which is a by-product of this illegal method of operation.

Mr. Hanson said that dealing in futures and continuing to deal in futures was not in accordance with the terms of the Wheat Board Act. Mr. Perley pointed out that dealing in futures was permitted in certain circumstances by Mr. Murray. Mr. Hanson said it was illegal. His opinion was that of a lawyer. The Wheat Board, however, produced the opinion of two other lawyers. We shall never get anywhere in deciding whether it is legal or illegal, because lawyers always have difficulty in agreeing.

The second point is that the farmers in western Canada have the right to know what is being done with their monies and the money of the people of Canada. What about brokerage fees of \$389,236.78 in 1940? What about brokerage fees of \$546,013.54 from 1939 to July 31, 1941? That commission came out of the farmers' wheat ultimately, as part of the expenses. We want to know who is getting that money, because Mr. Hanson went on to point out:—

I should like to know what these items mean.

Since when was it not in the public interest for members of parliament to know what is being done with the monies voted by parliament and expended by an administrative body? The matter is covered by the order of reference:—

2. (5) A complete breakdown of storage, insurance, interest, brokerage and commissions.

What kind of breakdown would you have if it is not shown to whom the money was paid and the services rendered? All that is stated is that some \$500,000 has been paid out.

Then Mr. Hanson says:—

I have reason to believe that the Canadian Wheat Board, with the knowledge and consent of the government, is dispensing very large amounts of compensation to those who, partly because of the war, and partly because of the Wheat Board's operations, are deprived of opportunities to earn brokerage charges in normal open market trading, and there was an admission made to that effect yesterday, I would point out—"and that large annual amounts are paid to individuals who do nothing, or next to nothing, to earn them."

Those were the two matters that were to be discussed in this committee. Furnishing the information asked will do no one any harm. Since when was it not in the public interest to know that somebody arbitrarily hands out to "A" and "B" large amounts of money, calling it brokerage, and the like, and to "E" and "F" \$50 or \$75 a month instead of the several hundreds of dollars a month paid to "A" and "B"? When was it not in the public interest for us to know why these people are preferred? Is it because they are superior in ability? If we have that explanation, that will be acceptable and there will be no harm done. What harm would there be in the members of the committee learning that there are certain ones believed by the Wheat Board to have higher intelligence and ability, and that they are preferred for that reason? The idea generally prevails, however, and I say this advisedly, that preferences are given to certain individuals for reasons that are dictated entirely by efficiency.

Hon. Mr. MacKINNON: Could you suggest what those reasons are?

Mr. DIEFENBAKER: I am not here to suggest reasons, sir, but to find out what the reasons are. I move that the Wheat Board do produce to this committee a complete record of all brokerage fees and commissions paid since the

outbreak of war, the persons or corporations to whom such payments were made, the amounts paid to each of such persons or corporations, and finally, the particulars of the services rendered respectively by each of the said persons or corporations.

Mr. ROWE: I second that motion.

Mr. GRAHAM: Does that motion replace your motion of yesterday?

Mr. DIEFENBAKER: There was no motion yesterday in that regard. We were discussing it generally. Yesterday there was a motion in regard to the production of certain correspondence and the minister and Mr. McIvor kindly produced what they had this morning.

The CHAIRMAN: Who seconds the motion?

Mr. ROWE: I second the motion.

The CHAIRMAN: I will ask the clerk to read the motion presented by Mr. Diefenbaker and seconded by Mr. Rowe.

The CLERK: Moved by Mr. Diefenbaker, seconded by Mr. Rowe:—

That the Board do produce to this Committee the complete record of brokerage fees of all kinds and commissions paid since the outbreak of war, the persons or corporations to whom such payments were made, the amounts paid to each, and the particulars of services rendered* therefore respectively by each of said persons or corporations.

The CHAIRMAN: Does the committee understand the motion? Is there any discussion?

Mr. ROSS (*Moose Jaw*): Yes. While Mr. Diefenbaker was speaking I interrupted to say there were others. In the evidence given by Mr. McIvor here yesterday he stated that this spreading, which was, I believe, just part of the brokerage that was paid, was part of a saving of 10 million dollars spoken about yesterday, and that the brokerage in that regard was actually distributed by the Wheat Board but was paid by the elevator companies who purchased the wheat.

Mr. DIEFENBAKER: Then why is it charged in the Wheat Board account?

Mr. ROSS (*Moose Jaw*): He said yesterday in his evidence that it was distributed by them on behalf of the elevator companies who purchased that wheat, and that in these cases it was the elevator companies who named the brokers who were to handle the deal but the Wheat Board did put one restriction on, and that was that no broker was to be paid on more than 300,000 bushels in any transaction. That is the information we got yesterday from Mr. McIvor before the committee. Therefore the major part of these commissions was not paid by the farmer or by the government or for the account of the Wheat Board—

Mr. PERLEY: That is funny!

Mr. ROSS (*Moose Jaw*): It is not funny at all!

Mr. PERLEY: Who paid it?

Mr. ROSS (*Moose Jaw*): If we had stored the grain in the ordinary way without that spreading we would have paid not only that commission but much more.

Mr. PERLEY: How many times did they buy and sell the crop?

Mr. FAIR: What does the producer swallow?

Mr. ROSS (*Moose Jaw*): I do not care what he swallows. I am taking the evidence of the chairman of the Wheat Board. I admit that if storage rates were reduced those charges might not be so high for the handling of grain; but if you cut the storage rates again you would have the same condition, that if a man has an empty elevator and he cannot get a full amount of storage for the

filling of the elevator and he can get a part and that part will cover more than his cost of handling, he is going to take it at a reduced rate, and you could thereby save although you cut the rates on the storage. Anybody in the grain trade knows that. You have not been fighting this game as long as I have.

Mr. DOUGLAS (*Weyburn*): You have not got very far with it.

Mr. ROSS (*Moose Jaw*): We have got a lot farther than you would think.

Mr. DOUGLAS (*Weyburn*): On which side?

Mr. ROSS (*Moose Jaw*): Never mind. That is a very smart remark from a very smart little fellow, but he has never yet done anything for the western farmer. When he has done something it will be time enough for him to talk, not now.

Mr. PERLEY: Is that all going down on the record?

Mr. ROSS (*Moose Jaw*): I asked the chairman of the Wheat Board to give us his opinion as to whether it was in the public interest and the best interests of handling wheat by the board that the information requested by Mr. Diefenbaker be given to this committee, and before any vote is taken on Mr. Diefenbaker's motion I would like to have a reply from the chairman.

The CHAIRMAN: Would not the committee like to have that information from the chairman of the Wheat Board?

Mr. DOUGLAS (*Weyburn*): If we are through with political speeches, we might get that information.

Mr. ROSS (*Moose Jaw*): Then you stop making them.

The WITNESS: Mr. Chairman, the matter of whether these names shall be given or not and the amounts paid to each individual must be settled by this committee, not by the Wheat Board; but I think I am in duty bound to point out the implications of that kind of situation, and I have prepared here a memorandum with regard to this particular point, which I would like to read:—

Under the terms of the Canadian Wheat Board Act, the Board is duty-bound to use brokers in connection with its operations.

I just want to refer for a moment to a statement made by Mr. Perley. He said the Canadian Wheat Board Act directed the Wheat Board to use the facilities of the trade only in disposing of the old carry-over from the Canadian Co-operative Wheat Producers, Limited.

Mr. PERLEY: The futures held by Mr. McFarland and taken over. The original Act empowered them to dispose of those futures.

The WITNESS: I was here with the Canadian Wheat Board and acted, as Mr. Perley knows. Mr. Perley was the vice-chairman of the committee, and I had a number of discussions with the then Prime Minister, the Hon. Mr. Bennett on this question. The only thing I am going to say in regard to Mr. Perley's remarks is this: The first Wheat Board is the board that was set up by the government of the day under the chairmanship of Mr. McFarland. They had the responsibility under the Act of disposing of the wheat received from producers in the 1935 and 1936 crop seasons, and in addition they had an added responsibility of disposing of the amount of wheat taken over from the Canadian Co-operative Wheat Producers Limited.

By Mr. Perley:

Q. Cash wheat and futures?—A. Yes.

Q. Can you give us the amounts of each?—A. That was seven years ago, and I cannot remember the amounts.

Q. Very well.—A. I was the sales manager for that board working under the instructions of Mr. McFarland, and may I say with regard to Mr. Perley's

point that the wheat received from producers from the 1935-1936 crop season was disposed of by the McFarland board and futures exchanged. That in itself, I think, is sufficient to indicate that Mr. Perley's statement is not correct.

Q. Pardon me. Mr. McFarland went off the board about the 1st December. There had been an election?—A. That is right.

Q. He had disposed of a portion of futures, I do not think all, and not all of the cash wheat?—A. But I am saying Mr. McFarland's board, and I am sure Mr. McFarland would confirm what I say, received wheat from the producers from the 1935-36 crop season and sold the actual wheat and exchanged futures.

By Mr. Ross (Moose Jaw):

Q. The same as you are doing now?—A. Yes.

Mr. PERLEY: Oh, no. The evidence is here. All the futures he handled amounted to \$10,000,000, and it was shown in the evidence that that was for Canadian Co-operative Producers Limited.

Mr. DIEFENBAKER: Mr. McFarland has said otherwise.

By Mr. Douglas (Weyburn):

Q. That is up until he left office in December, 1935?—A. Yes, because I was in charge of the operations myself.

Q. And do you say that had to do with the 1935 crop?—A. The 1935-36 crop.

Q. And was not a clean-up from prior operations?—A. That is right.

Now, with regard to the question that has been raised under the terms of the Canadian Wheat Board Act, the board is in duty bound to use brokers in connection with its operations. To continue:—

Brokers are expressly named in the Act, and for this reason alone the Board utilizes the services of brokers in the customary manner. In addition, the Board utilizes the services of brokers because it is to the advantage of the Board to do so.

The Board also recognizes that brokers as a group render a service quite aside from their individual operations. As a group they play an essential part in the operations of the futures market. As long as the futures market is helpful in marketing of grain, brokers have a collective value to the Board and all other organizations engaged in the marketing of wheat or any process in connection with the marketing of wheat. In connection with the value of brokers as a group to the operations of the Board, it has been the practice for some time to use the influence of the Board in the direction of the widest possible distribution of brokerage among brokers operating on the Winnipeg market. This policy is carried out to the greatest possible extent, while at the same time recognizing the superior efficiency of the services rendered by individual brokers. This policy has been carried out by the Board on the basis that it did not increase the total amount of brokerage paid, but did affect a distribution of brokerage which would be most helpful as far as the whole market is concerned. The total amount of brokerage paid under this policy was exactly the same as if one broker or two or three brokers had done all the brokerage business of the Board; a situation, however, which would be very detrimental to the market and to the operations of the Wheat Board in that market.

There are many misunderstandings in regard to the operations of the futures market and in regard to the payment of brokerage. For the information of the committee I have filed a statement showing the spreading operations of the Board during the three years from August 1,

1938, to July 31, 1941. This statement illustrates the use of the future market by the Canadian Wheat Board, and incidentally, illustrates the origin of over 75 per cent of all the brokerage resulting from board operations.

Between 75 and 80 per cent of all futures brokerage in respect of Board operations is incurred in respect to spreading operations. This brokerage is figured in the spread. It is paid to brokers nominated by the companies paying such brokerage subject only to the Board's restrictions on any one spreading operation not more than 300,000 bushels may be allocated to any one broker.

By Mr. Perley:

Q. Pardon me, did you say not more than 300,000 bushels to any one broker?—A. Yes.

Q. In one day could a broker handle 300,000 bushels of 1,000,000 bushels?—A. 300,000 bushels in any one transaction.

Q. What do you mean by "in any one transaction"?—A. It might be 1,000,000, 2,000,000 or 3,000,000.

By Mr. Douglas (Weyburn):

Q. Could he handle more than one transaction?—A. Oh, yes.

By Mr. Perley:

Q. According to a report that appeared in the *Ottawa Journal* on the 29th April, 1942, you showed 5,750,000 bushels?—A. Did the Wheat Board sell that?

Q. Yes, export sales of Canadian wheat.

The CHAIRMAN: Perhaps Mr. McIvor might be permitted to finish his statement.

Mr. PERLEY: The witness is explaining that no more than 300,000 bushels may be allocated to any one broker in any one sale.

The WITNESS: Mr. Perley's explanation of that statement he is reading from is not correct. I would ask him to read that the Wheat Board sold 5,750,000 bushels of wheat on that day. Mr. Perley said the Wheat Board sold it.

By Mr. Perley:

Export sales of Canadian wheat, estimated at 5,750,000 bushels on Wednesday and worked to the United Kingdom, boosted the total for April well over the 40,000,000-bushel mark, and possibly to 42,000,000 bushels. Wednesday's business was reported to be all wheat.

The month's total is the largest since January, 1941, and is one of the largest, if not a record, worked to any one country in a single month.

And it went to the United Kingdom.—A. I would like to say, Mr. Perley, that when you raised that question I was dealing with the matter of spreading operations. That is a sale. I want to confine my remarks for the moment, if I may, to the question of spreading operations.

Q. Could you use one broker to-day on 300,000 bushels and then, the day after to-morrow, use the same broker again?—A. Oh, yes. You could use the same broker several times in one day. To continue:—

These transactions could easily be worked out on the basis of increasing the spread, thereby letting the trade pay the brokerage; in which case the brokerage would not show on the books of the Board at all. On the other hand, the Board prefers to include the brokerage in the spread, to collect the brokerage from the trade as a whole and to distribute the brokerage in a manner which will be most helpful to the market as a

whole. If private companies both paid and distributed the brokerage on these transactions, there is the possibility that a few brokers would get a very large share of the brokerage business. In operations of this kind the whole futures market is involved and the Board thinks it advisable to see that brokerage is paid in accordance with the best interests of the market as a whole.

The Board has been asked to give a statement of the amount of brokerage paid to individual brokers by the Canadian Wheat Board. In regard to this request I have a list of brokers and the amount of brokerage which they received in connection with Wheat Board operations. The board is prepared to make this information available, but it will have to be on the responsibility of this committee. There are 85 futures brokers and 24 cash wheat brokers operating on the Winnipeg Grain Exchange. As I have indicated the Board is using these brokers to very great advantage. The Board is using these brokers from day to day, and is trying to be impartial in the payment of brokerage and at the same time use its best judgment as to how brokerage should be paid and recognize efficiency and capability on the part of individual brokers. To make public the amount of brokerage paid to each individual broker would have repercussions far beyond the confines of this committee. It would have an adverse effect upon the Board's operations in the futures market and the relationship of the Board with the brokers used in connection with Board operations.

In addition, as I have already pointed out, a large percentage of brokerage is paid by the grain trade, including farmer-owned companies, and the Board's function is merely one of distribution. I am sure that the committee will appreciate the danger of misinterpretation being placed upon such a statement of brokerage payments—not by the committee, but by those who would detach details of such a statement from the explanations made before this committee.

I might add that this matter came up in connection with the 1936 Select Special Committee of the House, and that committee did not press for a statement of brokerage paid to individual brokers.

The CHAIRMAN: The matter is before the committee.

Mr. GRAHAM: Before we vote on that question I think we should consider the opinion Mr. McIvor has just given us. I do not think there is one of us who fails to realize the problem that the marketing of our Canadian wheat has constituted in this country since 1930. As already indicated, not only has the government and the House of Commons almost endlessly debated the matter, but it has been the subject of inquiry by parliamentary committees and royal commissions on more than one occasion. I want to make this point clear to the members of the committee, that not only has the marketing of our Canadian wheat constituted a difficult task but it continues to be so, and in all likelihood, although we hope not, it will continue to be a very real problem for Canada during and possibly after the war. Mr. McIvor has had a long association with this task. He is a public servant whose duty is a very onerous one, as we all know. He was with Mr. McFarland's board and was a member of the Murray Board, and now he is chairman of the present board. I think we all know human nature, since we are all members of parliament, and we know or can imagine the task the Board has in dealing with a considerable number of brokers, 85 of one class and 24 others. I feel strongly, in view of the opinion Mr. McIvor has given and his refusal to accept the responsibility of reversing the opinion of Mr. McFarland when he appeared before the former committee and refused to disclose the information now sought, (and that committee agreed that it should not be given) that we should not ask Mr. McIvor to furnish that

information now. Realizing the immensity and importance of the task that had to be discharged by this public servant, I submit that since we can easily secure the total amount of commissions paid, and check whether the Board has paid too much commission and, if necessary, have an auditor affirm that the Board has paid out no monies other than it would have to pay out by way of commission or brokerage, we should not ask for further information. We can satisfy ourselves as to the honesty of the board's administration; but when it comes down to the matter of distribution I can see the difficulty Mr. McIvor outlines, and I for one will not assume the responsibility of going against his advice.

Mr. Ross (*Souris*): Mr. McFarland was not chairman of the other inquiry. Mr. Murray was the chairman, I think. I will admit that the matter of futures trading is a little mystic to me, and I cannot follow it the whole way.

Hon. Mr. MACKINNON: You are not alone!

Mr. Ross (*Souris*): That may be; but I do not see why we cannot merchandise this wheat as well as we can merchandise bacon and other essential products during the war. The argument of Mr. Graham and others simply intensifies the mystery and creates more suspicion. I must admit that I have become suspicious since I have delved into it, long before I was a member of parliament and also since. I am willing to admit that in all probability there is a good reason why we should not demand to know the price at which we are selling our product to Great Britain at this time, but I cannot see why we should not get the details of the transactions within this country, as to the method of handling our product. If you are going to vote in this committee that we do not get this information on these brokerage people, certainly you are going to add to the suspicion amongst the producers in this country. I have not heard any reason advanced by Mr. McIvor, Mr. Graham, or others, why we should not have that information. Certainly the public to-day desire to know in detail how their product is being handled, and it is a matter about which there is more suspicion than about anything else in the entire trade. Surely we can vote to get that much information for the people of this country, and endeavour to clear up the mysterious business of handling their product.

Mr. DIEFENBAKER: I do not think this is a matter that should be decided in a few minutes; but if this committee takes it upon itself to deny us the opportunity of securing the answers to the points Mr. Hanson placed before parliament, then the explanation thus far given by Mr. McIvor can only add to the suspicions as to the circumstances connected with the payment of brokerage charges. He says the Board distributes the brokerage in the best interests of all concerned, or words to that effect. Surely the committee has a right to know, and there has never been a denial of this, whether certain members of the grain exchange are getting brokerage fees running into thousands of dollars for doing little or nothing, and in many cases merely participating in what appears to be a book entry, while others are receiving regular monthly payments of \$50 and \$75; I think \$50 is the low level, whether they do anything or not. Surely the farmers of this country have the right to know what is being done with their wheat? Surely the members of the House of Commons representing the people of Canada have the right to know how this sum of \$548,378.88 is made up. It is set out in exhibit "E", the Canadian Wheat Board Act. Mr. Graham says: "Well, we can easily figure up whether or not it was properly earned." I would like to know how? Is there any record here to show the futures transaction? Every time there is a futures transaction and an exchange of options there is some more profit to the brokerage firms engaged for the purpose, or certain of them. So that almost \$550,000 has been expended in brokerage and clearing association charges. We would like to know how those charges are made up, so that the producer may ascertain whether or not the wheat is being properly handled. He has participation certificates. What good

are those certificates, if what should come to him is being used up in brokerage fees paid, with or without discrimination, largely to certain corporations? What possible harm is going to be done to the public interest of this country if it is found that certain old established firms in the city of Winnipeg, who have been members of the grain exchange for years, are getting \$50 per month while certain others are getting amounts many times \$50 a month? I asked Mr. McIvor yesterday whether he would tell us what the low and the high were, and he expressed a willingness to do so. There has been no suggestion today that he is willing to do so. He comes here with a written statement, apparently prepared last night. I am going to ask the members of this committee not to decide this question too quickly, nor even to decide that information that should be known is to be denied to us. I will even go thus far: Will the chairman of this Board give us a record, to start with, on the amounts paid, without giving us the names of those to whom those payments were made? There cannot be anything not in the public interest in that regard.

Q. Give us the figures showing that one man received \$6,000 and another received \$10,000 and another received \$12,000, and give us the lowest strata, those who were paid \$50 per month; and then we will be in a position to vote intelligently on this matter? Surely there can be no denial there? If you give us particulars of the amounts without giving the names of the companies, Mr. Graham's argument disappears, and we will ascertain how much the companies received and how many there are in the \$50 per month class and so on, and we shall also learn why it is, if my information is correct, that about 75 per cent are in the \$50 per month class, and about 16 per cent are in the "king" row, although doing no greater service than those who receive the \$50 per month? (No response).

Mr. DIEFENBAKER: I am going to appeal to this committee not to vote on this question from a partisan standpoint, but for the reason that today people are commencing to worry about why it is that when any question is asked about the expenditure of money members of parliament are denied the breakdown, especially when in the setting up of this committee the agenda states that there shall be a complete breakdown of storage, insurance, interest, brokerage and commissions?

Mr. GRAHAM: Suppose you were convinced that the giving of this information would make the task of the Wheat Board more difficult in marketing our Canadian wheat, would you insist on that information being given?

Mr. DIEFENBAKER: I always try to be frank, and I try to come to conclusions based on the evidence placed before me, but there has not been a word suggested here that it would do any harm.

Mr. GRAHAM: But if you were convinced that the giving of this information would make the task of the Wheat Board more difficult, what would your attitude be?

Mr. DIEFENBAKER: I say: "Give us the amounts without the names." It is very easy to convince oneself of a thing if one desires to do so; but we have a responsibility here. This committee was set up and this question was submitted to the committee:—

"2. (1) How many bushels of wheat has the Board purchased directly from the producers from July 31, 1938 to date?"

and so on.

This committee was set up to get this information. Now, are we to be denied the information we have asked for and that the committee was set up to obtain? I think the people of Canada have a right to receive this information now.

Mr. ROWE: If I were convinced that this information was going to injure or embarrass the administration of the Canadian Wheat Board I would feel inclined to support Mr. Graham's contention, but I have heard nothing this morning either from the chairman of the Board or from the other speakers in support of that contention that would lead me to believe that it would embarrass the board; and after listening to similar arguments for 15 to 20 years in this House I am convinced that one of the chief reasons for all our trouble is because of the withholding from the producer of sufficient information and thus rendering him suspicious as to where you are taking this money that the hon. member for Moose Jaw intimated you could take out of the thin air.

Mr. Ross (*Moose Jaw*): Oh, no. The farmer is no fool.

Mr. ROWE: I have dealt with farmers as long as my friend, and the farmers are my friends, too! After listening to Mr. Diefenbaker, who says we can find out the total cost of brokerage and decide whether we have had value for it or not, I am in agreement with him.

Mr. GRAHAM: That can be secured.

Mr. ROWE: How can you secure it? We are getting into strait-jackets all along the line with controls, restrictions, regulations, boards and commissions; and if there is one thing that the farmer and producer of any class of products to-day is concerned about, it is he spread between himself and the ultimate consumer. Personally I am convinced that one of the reasons there is so much suspicion in the atmosphere about the handling of Canada's great wheat production has been the withholding of the very information that this Board now asks should be withheld. After listening to the chairman of the Board, who says we must have the widest possible distribution of advantages to brokers in order to carry out as far as possible a spreading of the services rendered by them, 75 per cent to 80 per cent is unspread; that not more than 300,000 bushels may be allocated to any one broker at any one time although it may be many times during the same day; that 85 per cent of the brokers handle futures and 25 per cent handle cash wheat. Now, if there is nothing wrong, if it is being fairly and equitably distributed, then surely not by the widest stretch of imagination or in the light of anything that has been said here this morning can there be any sound reason why this information could not be given to us? If there is anything wrong, it should have been given long ago. The fact that the chairman of the Board in 1935 or before that time thought it was not in the interests of the public to furnish that information should not influence us now. Mr. McIvor says we shall have to take the responsibility of withholding this information from the people of this country, so that we can live again for another period of years with the same suspicions that have been created because it was withheld before. I cannot conscientiously support the withholding of this information. Personally I have no real reason to believe that everything is not fairly and equitably distributed. I have no real reason to believe that somebody is getting more than he should for the services he renders, nor that some fellow getting \$50 a month should get more; and therefore I hope that when the information is given the wheat growers of western Canada will at least be satisfied that the members of the Agricultural committee in the House of Commons are not holding back information which they believe is in the interests of somebody else as well as themselves. I think we should have a clearer course in the future, and that it would render the task of the chairman of the wheat board easier and his record more creditable having regard to the service he will render to the farmers he is serving if he will furnish the information requested.

Mr. WARD: I have lived in western Canada for 45 years, and have worked among farmers all my life. I want to say now that there is great deal more suspicion in the minds of some of the members of this committee, and in the mind of the Hon. Mr. Hanson when he made that statement on the floor of the House, than there is in the minds of the farmers of western Canada. To those members of this committee who have not been engaged in growing wheat for the last 25 years it might be of interest to state that suspicion did exist in the minds of the farmers of western Canada for a long time, and for excellent reasons: From 1900 to 1905 or 1906 there would be daily a spread of 20 cents between street and track prices, and I have known the spread to be as high as 28 cents. The farmer was being robbed of about 26 cents at least, because he did not have a carload of wheat or lived too far from the elevator or siding to load a car. Well do y recall the first farmers' meeting held in the Dauphin district in 1902. I happened to be in attendance, and we had some sound reasons for complaint at that time; but at this moment we are making a mountain out of a molehill, out of a flea!

Mr. DİEFENBAKER: We are making a mountain out of a flea?

Mr. WARD: Certainly in the light of what the farmers of Western Canada have passed through in the last 40 years, there can be very little of which to complain. One is amazed when one thinks of what has been developed not by the agricultural committees at Ottawa or by members of parliament on the floor of the House but by the farmers themselves over a long period of years; they have continued to improve and improve.

Mr. ROWE: Why not keep on improving?

Mr. WARD: The \$500,000 referred to here so often is infinitesimal—I am not minimizing the importance of it—in comparison with what has happened in the past. I venture to say that 35 years ago more money was stolen from the farmers in one day in the sale of their wheat than the \$500,000 we are discussing to-day. The reason I refer to this matter as I do is because I wonder if we are just playing the game that members of parliament are expected to play. We are at war, and much more important matters should be occupying the attention of the members of this committee. If we work it out mathematically probably it would represent a very small fraction of one cent per bushel of grain that has been marketed in western Canada in any one year. We do not need to go back far to remember when there was a spread of 5 cents, 6 cents and 7 cents between the street and track prices, within the last ten years, and to-day it is down to about one cent.

Mr. McIVOR: Four cents.

Mr. ROWE: Even so, why not let us know about the distribution of the \$500,000?

Mr. WARD: I am not minimizing the importance of the issue before this committee, but in conclusion I do want to say there is far more suspicion in the minds of a few members of parliament than there is in the minds of the farmers of western Canada. The farmers have full confidence in our pooling system.

Mr. WRIGHT: Have they confidence in the Winnipeg Grain Exchange?

Mr. WARD: That came out before. Always I have opposed the Winnipeg Grain Exchange, and formerly I have characterized it as a blood-sucking vampire. I have no love for the Winnipeg Grain Exchange. I will say, however, that prior to the option market there was a day when the traders, justified or not, were taking anywhere from 10 cents to 20 cents a bushel from the farmers because of the risk of carrying the grain. I gave evidence before the Sir Josiah Stamp Commission which toured Canada. I was president of the United Farmers of Manitoba at the time, and I recall dealing with the Winnipeg Grain Exchange,

and also recall that afterwards Sir Josiah Stamp said that in his judgment, looking at it without prejudice, he believed the Winnipeg Grain Exchange, or the option market as he referred to it, had operated in the interests of the producers; that the producers had received a longer price over a long period of years because of the existing of the option market.

Mr. PERLEY: Did he state in his report how often he had bought and sold in a year: 41 times?

Mr. WARD: Yes, he did. I do think, however, that we are spending a lot of time here without benefit. When Mr. Diefenbaker suggests that we should not be in a hurry does he mean that he should sit here all summer getting nowhere? I have confidence in Mr. McIvor and his board and believe they will handle the grain in the best interests of the producer; and I think we should have Mr. McIvor's statement placed on the record where it can be studied.

Mr. FAIR: I am glad Mr. Ward made the admission he has just made, namely, that the farmers in the past were skinned every day. The fact that they are not being skinned to the extent they were 25 years ago is no reason in the world why they should be skinned at all. The fact that the farmer is being skinned means many others are being skinned, because they thrive on agriculture. After all, it is the farmer's money that maintains the 109 brokers on the Winnipeg Grain Exchange. The farmers are supporting those fellows, and what are they getting in return? To those who claim that the Winnipeg Grain Exchange should be kept open I would say: Why not have an exchange for automobiles, or farm machinery, or several other things, so that gambling can exist in those categories? Why is not an exchange operated in the interests of those fellows? Simply because they are organized, and will not stand for the skinning the farmer has stood for in the past. I feel sore about this, because I have been robbed of thousands of dollars by the Winnipeg Grain Exchange as the result of the practices carried on in the past. Perhaps some of you do not know that elevator agents have been approached by their superintendents and verbally informed that their operation of the scale must take care of their wages at the end of the month! I happen to know that, although they do not put it in print. They do put a lot of other things in print that can be given a number of interpretations, but this particular matter is not put in print; it is given verbally by the superintendents of the elevator agents. When you have absolute stealing like that going on as far as the agents are concerned, you can bet your life several other steals are going on farther up the line, and I therefore think this committee should receive the information requested. As far as I am concerned if we are denied information of this kind, which after all concerns the farmers' money, we might as well close the committee and let the Wheat Board go back to selling wheat.

Mr. RICKARD: As an Ontario member I have listened with interest to the discussion. In reference to the motion made by Mr. Diefenbaker, may I ask what difference it is going to make to the producer or the consumer whether or not we know what these brokers have been getting? Is it going to put any money in the hands of the producer or the consumer if we do ascertain what each individual broker receives out of these transactions? I do not think so. I do not see that it makes a bit of difference to the consumer or the producer. The only effect it would have would be to show up what one man gets in excess of what another man gets in such transactions. I have an open mind on this thing, and would like to see everything brought out that should be brought out; but I do not see how we are going to get any real value out of such an investigation for the man we are working for, namely, the producer. If you can show me that the producer is going to get something out of it I shall be willing to vote for this motion, but at present I cannot see it.

Mr. Ross (*Souris*): In answer to the last speaker, I think the amount of money mentioned is of vital interest to the producers. Mr. Ward referred to the findings of the Sir Josiah Stamp Commission. Later, another investigation was conducted by the Hon. Mr. Justice Turgeon, who pointed out that he could not see where the grain exchange could render a useful purpose in time of war; and the exchange is concerned with the handling of the producers' products. I am sorry to say that the people down in my part of the province are not as satisfied as they appear to be in Mr. Ward's riding, and I want all the detailed information I can get. I want a return as to the amount received by these brokers showing the cost of handling the producers' product. I have not heard of the cost of handling the producers' product coming from any other source than the hard work of the producers.

The CHAIRMAN: This is probably as important a motion as will come before the committee, and there is a principle involved in it. I agree with the member who stated that the committees of parliament are entitled to all the information they can get. An item appears in the Wheat Board's report indicating the amount of money paid on this particular item. The Wheat Board has disclosed the total number of persons participating in that amount of money. Well that's good. The next step has been to request disclosure of the names of the individuals who have received that money. The only point that arises in connection with it is the effect that such disclosure may have on the Board's relations with these brokers, and on the conduct of its business in the future. No doubt there is going to be a controversy over this matter. If the information is denied to this committee there will be some who will claim they were not permitted to obtain all the information they desired. On the other hand, there will be some who are personally affected, and I think all of us can visualize what will happen once these names are disclosed. They will appear in the press, and they will be placarded here, there and everywhere. The important point, as I see it, is the effect of disclosure on the Wheat Board's relationship with these brokers and the conduct of its business. They have utilized the facilities of these brokers in the past, and I presume that during the immediate future at least they will continue to do so. Mr. Diefenbaker suggested some time ago that this was a very important feature of our procedure, and that it should not be dealt with and disposed of with any undue haste or lack of proper consideration. I have not seen the list of names of these brokers to which Mr. McIvor referred; I do not know who they are; nor do I know who received larger amounts or smaller amounts, or whether they rendered the services that some people think they should have rendered for the amounts they received. Again, gentlemen, I am not sure that we can judge whether individually they have given value or not. Following what Mr. Diefenbaker has suggested, I am prepared to propose that we adjourn the committee now and dispose of the motion when we meet again.

Mr. PERLEY: I am going to read into the records some of the reasons why the Grain Exchange in Winnipeg should be closed, because the buyers do not have to use these broker at all.

The CHAIRMAN: There is a motion before the committee.

Mr. DOUGLAS (*Weyburn*): Mr. Diefenbaker made a suggestion that was not put to the chairman of the Wheat Board.

Q. Would you be prepared, Mr. McIvor, to give the amounts of money paid, without stipulating the persons to whom they were paid? If so, that would give us some idea of the distribution of the money without giving any other information.

Mr. DIEFENBAKER: That is just for the time being?

Mr. DOUGLAS (*Weyburn*): Yes.

Mr. DIEFENBAKER: There is no finality about it.

By Mr. Douglas (Weyburn):

Q. Are you prepared to give that information?—A. Mr. Chairman, if this information is required by this committee, may I state that as far as our Board is concerned we prefer not to give it piecemeal. The committee must decide, as I see it, whether they will receive the information including the names, or otherwise. From the standpoint of the Board we do not want to give a lot of information which will enable somebody—and it is quite obvious that somebody will—to point to broken “A” and put some sinister meaning into the fact that he is broker “A”. As far as the Board is concerned, as I said in my statement, the information is here, and it is a matter that is entirely in the hands of the committee. I cannot add anything to what I have stated.

Mr. DOUGLAS (*Weyburn*): I understood the witness yesterday to say he was prepared to give the highest and lowest amounts paid.

The WITNESS: That arose out of a question put by Mr. Diefenbaker. I did say I would be prepared to give the highest and the lowest, and naturally if we give all the information the highest and the lowest will be included.

By Mr. Diefenbaker:

Q. Have you changed your stand since yesterday?—A. We have considered the matter, and we as the Board feel that we have distributed this brokerage fairly, having in mind the efficiency of brokers; and that we have discharged our responsibility under the Wheat Board Act. Some of you gentlemen may feel that you are more competent to judge as to whom brokerage should be paid than we are. That must of necessity be a matter of opinion. But we do report to the government what we are doing, and we feel that the brokerage has been fairly distributed under the existing conditions.

Mr. DIEFENBAKER: That is what we want to know.

Mr. DOUGLAS (*Weyburn*): That is not the answer. The question was asked of Mr. McIvor yesterday, and he said that he was quite willing to give the information. Now Mr. McIvor says the Board distributed this money fairly, and he intimates that the members of the Board are in the best position to know; and I grant that they are in the best position to know what brokers should receive the business. The fact remains, however, that this committee of the House of Commons is charged with the responsibility of watching the expenditure of the money of the people of Canada, and the committee has a right to know what it is that the members of the Board consider to be a fair distribution. We can only judge whether or not it is a fair distribution after we learn what the top and bottom figures are. If the Board has decided in the meantime that it is not in the public interest to disclose that information, that is another question.

The CHAIRMAN: As I understand, the Board feels that if any information is to be given it should all be given.

Mr. DOUGLAS (*Weyburn*): Mr. McIvor has not said that.

The CHAIRMAN: Yes, he has.

Mr. DOUGLAS (*Weyburn*): If the chairman took that meaning from his remarks, I did not.

The WITNESS: Frankly, in considering this matter our Board felt that the giving of the highest and lowest figures would not satisfy certain members of this committee, and our view is that if the committee decides that the figures must be given, then all the figure should be given.

Mr. DOUGLAS (*Weyburn*): May I ask Mr. McIvor whether, if the committee should decide not to ask for all the information, he would be prepared to give the highest and lowest figures?

The CHAIRMAN: I would think the matter had been settled as far as this committee is concerned. It would be implied that no information would be given and no names would be disclosed.

Mr. DOUGLAS (*Weyburn*): I am not asking about the names but about the highest and lowest amounts, which has nothing to do with this motion.

The CHAIRMAN: I will ask the clerk to read the motion again. (Whereupon the clerk read the motion).

Gentlemen, you have heard the motion. Is there any further discussion?

Mr. MACKENZIE: I do not believe this matter should be decided in any political mood. I think we should vote on this motion after luncheon.

The CHAIRMAN: Is there a motion to adjourn?

Hon. MEMBERS: Question!

Mr. MACKENZIE: I move that we adjourn and vote on the motion after luncheon.

Mr. ROSS (*Middlesex*): I have pleasure in seconding that motion. I think that within a very few years there is going to be a bomb dropped on Mr. McIvor's mechanics, and that there will be a different type of trading altogether. At the same time I hope that Mr. McIvor will not suffer thereby.

The CHAIRMAN: Gentlemen, it has been moved by Mr. MacKenzie, seconded by Mr. Ross of Moose Jaw, that the committee adjourn. What is your pleasure?

Hon. MEMBERS: Question!

Mr. DOUGLAS (*Weyburn*): The House will be sitting this afternoon, and I doubt if we shall ever have as good an opportunity as now.

Mr. ROSS (*Souris*): I do not think we should meet this afternoon.

The CHAIRMAN: There is a motion before the committee, that we do adjourn now.

Mr. CARDIFF: As an eastern member of this House I am interested only in the fact that we in eastern Canada have to pay anywhere to \$24 to \$30 per ton for—

The CHAIRMAN: Excuse me, Mr. Cardiff. The motion before the committee is a motion to adjourn.

All in favour of the motion please signify by raising your hands.

The CLERK: The motion to adjourn is lost.

The CHAIRMAN: All those in favor of Mr. Diefenbaker's motion please signify by raising your hands.

Mr. PERLEY: Can we not have a recorded vote on this motion?

The CHAIRMAN: It was not asked for.

Mr. PERLEY: I will ask for it now.

The CHAIRMAN: Then we shall wait until the clerk has counted the votes.

Mr. ROSS (*Souris*): I think we should have a recorded vote.

The CHAIRMAN: Do you press for a recorded vote?

Mr. ROSS (*Souris*): Yes.

The CHAIRMAN: Very well, members of the committee will not leave until the recorded vote has been taken.

On division the motion was lost.

The CHAIRMAN: There has been a request made that we do not meet this afternoon. Is the committee prepared to agree to that request?

The committee adjourned at 1:15 o'clock p.m. until tomorrow morning at 11:00 o'clock.

THE CANADIAN WHEAT BOARD

COMPARATIVE COST OF SPREAD BASIS—AS AGAINST FULL CARRYING CHARGE

Spreads	Spread, Bushels	Average Spread	No. of Days	Full Carrying Charges Interest 3%	Difference Spread Vs Carrying Charges	Less Brokerage	Net Saving	Basis
October 1938 to November 1938.....	400,000	c. (-015625)	31	1-17665	\$ 4,769.10	\$ 200.00	\$ 4,569.10	3 Northern
October 1938 to December 1938.....	636,000	.....	61	2-31535	14,725.63	318.00	14,407.63	"
October 1938 to May 1939.....	38,359,000	3-1748	212	8-0467	1,868,812.12	19,179.50	1,849,632.62	"
November 1938 to December 1938.....	1,038,000	(-31261)	30	1-1313	15,276.57	529.00	14,747.57	"
November 1938 to May 1939.....	12,991,000	3-25713	181	6-82551	463,568.25	6,495.50	457,072.75	"
December 1938 to May 1939.....	6,196,000	3-19097	151	5-66628	153,370.21	3,098.00	150,272.21	"
December 1939 to July 1939.....	62,540,000	-83091	61	2-31409	927,580.77	31,270.00	896,310.77	"
May 1939 to October 1939.....	4,169,000	2-1033	153	5-80421	154,207.56	2,084.50	152,123.06	"
May 1939 to October 1939.....	14,438,000	-96801	92	3-46365	360,320.50	7,219.00	353,101.50	"
July 1939 to November 1939.....	1,811,000	2-74378	123	4-63075	34,173.03	905.50	33,267.53	"
July 1939 to December 1939.....	32,787,000	2-66163	153	5-76021	1,015,931.42	16,393.50	999,537.92	"
October 1939 to November 1939.....	4,080,000	1-489	31	1-20277	(11,678.18)	2,040.00	(13,718.18)	"
October 1939 to December 1939.....	20,829,000	1-629	61	2-36674	153,663.86	10,414.50	143,249.36	"
October 1939 to May 1940.....	13,608,000	5-6424	212	8-22541	351,496.00	6,804.00	344,692.00	"
November 1939 to December 1939.....	4,184,000	-964955	30	1-16366	8,313.82	2,092.00	6,221.82	"
November 1939 to May 1940.....	19,558,000	5-140	181	7-02077	367,841.00	9,779.00	358,062.00	"
November 1939 to July 1940.....	25,000	7-25	242	9-38689	534.22	12.50	521.72	"
December 1939 to May 1940.....	66,521,000	4-435	151	5-93002	994,502.25	33,260.50	961,241.75	"
December 1939 to July 1940.....	3,421,000	6-1272	212	8-32559	75,206.92	1,710.50	73,496.42	"
May 1940 to July 1940.....	121,504,000	1-3439	61	2-45072	1,344,830.57	60,752.00	1,284,078.57	"
May 1940 to October 1940.....	5,860,000	2-45093	153	5-46911	176,865.35	2,930.00	173,935.35	"
July 1940 to October 1940.....	88,017,000	1-7007	92	2-8681	1,027,510.46	44,008.50	983,501.96	"
October 1940 to December 1940.....	14,675,000	1-53303	61	1-70212	21,878.96	7,337.50	14,541.46	2 Northern
October 1940 to May 1941.....	60,381,000	5-79012	212	5-91558	75,754.00	30,190.50	45,563.50	"
December 1940 to July 1941.....	15,147,000	4-17668	151	4-23052	8,155.14	7,573.50	581.64	"
December 1940 to October 1941.....	108,073,000	5-86482	212	5-93955	3,963.68	2,652.00	1,311.68	"
May 1941 to July 1941.....	109,683,000	1-60084	61	1-72343	132,486.69	54,036.50	78,450.19	"
July 1941 to October 1941.....	127,165,000	2-48939	92	2-61156	133,999.72	54,841.50	79,158.22	"
October 1941 to December 1941.....	8,383,000	1-58754	61	1-71152	157,659.17	63,582.50	94,076.67	"
October 1941 to May 1942.....	128,124,000	5-6712	212	5-94826	23,225.94	4,191.50	19,034.44	"
December 1941 to July 1942.....	112,137,000	4-13485	151	4-23983	134,819.52	64,212.00	70,607.52	"
May 1942 to July 1942.....		1-15287	61	1-73158	648,948.03	56,068.50	592,897.53	"
	1,212,364,000	.....	.....	.....	\$10,842,712.28	\$606,182.00	\$10,236,530.28	

CA1
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publications

(STANDING COMMITTEE)

(ON)

(AGRICULTURE AND COLONIZATION)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

FRIDAY, MAY 15, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

FRIDAY, May 15, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Cardiff, Clark, Cruickshank, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Henderson, Lafontaine, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McNevin (*Victoria, Ont.*), Matthews, Perley, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Moose Jaw*), Soper, Tustin, Ward, Weir, Wright.—31.

In Attendance:

Hon. J. A. MacKinnon, Minister of Trade & Commerce, and the following officials of the Canadian Wheat Board:—

Mr. George McIvor, Chairman of the Board;
Mr. C. Gordon Smith, Assistant Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller; and
Mr. C. B. Davidson, Statistician.

The minutes of the previous meeting held May 14, were read and adopted as amended.

Ordered,—That the Clerk print as Appendix No. 1 to the minutes of evidence of May 14, the information furnished by the Wheat Board on spreading and brokerage charges.

Mr. George McIvor recalled and examination continued.

On motion of Mr. Donnelly,—the committee adjourned to meet again on Monday, May 18 at 11.00 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 15, 1942.

The Standing Committee on Agriculture and Colonization met at 11:00 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order I will ask the clerk of the committee to read the Minutes of yesterday's proceedings.

Mr. DONNELLY: Mr. Chairman, I have before me the report of the proceedings on May 13th, and on page 19 I suggested that the statement handed to us by Mr. McIvor in connection with the board's dealings in futures or their spreads should be added to this report as an appendix. I see that it is not added and I move accordingly that it should be added.

Mr. ROSS (*Souris*): I will second that motion.

The CHAIRMAN: Probably it was my fault. I understood the arrangement was to include it as an exhibition with the documents in the custody of the clerk. Do you wish to have it printed?

Mr. DONNELLY: Yes.

The CHAIRMAN: Very well. Now the clerk will read the Minutes of the last meeting. (Whereupon the clerk read the Minutes of the last meeting, which were duly adopted.)

The CHAIRMAN: Gentlemen, I assume that we shall resume where we left off yesterday. Mr. George McIvor is still before the committee, and members are at liberty to question him.

Mr. GEORGE McIVOR, recalled.

Mr. WRIGHT: Mr. Chairman, Mr. Donnelly gave us a review of the chart which is being placed in our proceedings proving that by dealing over the Winnipeg Grain Exchange the board had saved \$10,000,000 above what they would have had to pay if they had had to pay storage charges. As a farmer of western Canada and a producer of wheat it has always seemed strange to me and also to a great many other farmers, that despite all these savings being made there is no other country in the world where the farmers receive as little of the consumers' dollar and the consumers' spread than in western Canada. There is a greater spread in Canada between the price that the farmer receives for his wheat and what the consumer pays for it. . . .

Mr. DONNELLY: What part of Canada?

Mr. WRIGHT: Western Canada. Despite the fact that these people between the producer and consumer are saving so much money, as Dr. Donnelly stated, there is no place in the world where the farmer receives as little of the consumers' dollar. I would like to ask the chairman of the wheat board with regard to the difference in commissions and brokerages from the time the wheat leaves the producer until it reaches the consumer.

Q. The elevator company buys that wheat from the producer and pays for it with its own money?—A. Yes.

Q. When you buy the wheat they deliver the wheat to you at the head of the lakes and you pay them for the wheat?—A. Yes.

Q. In cash?—A. Yes.

Q. And you pay them their carrying charges plus interest on the money they have borrowed from the banks to pay the producer for that wheat?—A. Yes.

Q. What is the rate of interest?—A. The rate of interest is $4\frac{1}{2}$ per cent.

Q. And when you are holding that wheat you borrow money from the banks?—A. When we have the wheat delivered to us?

Q. Yes.—A. Yes.

Q. And you pay 1 per cent?—A. 3 per cent.

Q. And the wheat you hold you immediately resell to the elevator companies again so that they may store it?—A. No; that is not altogether correct. We would sell it to the people we could get the best price from, and it might be terminal elevator, a shipper, an exporter, or a mill.

Q. But the terminal elevators would be the people who would take the largest quantity of it because they have to store it for a considerable period of time under our present set-up, when there is so much wheat in Canada?—A. The bulk of our wheat at the head of the lakes would be sold to millers, shippers and exporters for the purpose of forwarding it to an eastern position.

Q. You have not money invested for any considerable time?—A. We have money invested in some of it because we cannot sell it all.

Q. I am referring to what you do not sell?—A. Yes?

Q. Do you pay storage on that wheat or sell an option on it?—A. The actual wheat we cannot sell we pay storage on, and are charged the statutory storage charges by the elevator companies, and we pay the banks 3 per cent interest.

Q. Then the shippers and exporters buy most of the wheat from you?—A. The shippers, exporters and millers.

Q. And they have to borrow the money from the banks to pay you for the wheat?—A. Yes.

Q. And that is then added to the extra price which they have to charge the British Imported Cereals Division when the final deal is made between them?—A. All the costs are added.

Q. What interest do they pay?—A. I do not know; there would be varying rates of interests.

Q. And you would have to pay that in your final deal?—A. No.

Q. It is included in the spread?—A. Yes; but we calculate the interest rate that we would have to pay if we carried the wheat.

Q. 3 per cent?—A. Yes, 3 per cent.

Q. When the Imported Cereals Division take this wheat over from the exporters at the seaboard they pay the exporters the May option plus their carrying charges down to the seaboard?—A. They pay the actual cost of the wheat f.o.b. the seaboard, that is the actual offering price.

Q. That is a premium over the option that the exporter holds?—A. Probably. Let us take the case of wheat in May that is put forward to the seaboard; they would pay the May basis, whatever that was, plus the cost of transportation and other charges.

Q. The interest would be in those other charges?—A. Yes.

Q. And yet you people do not know what that interest is?—A. We know that as far as we are concerned we calculate 3 per cent; we know what we would have had to pay if we had carried the actual wheat.

Q. Then the interest paid is an actual 3 per cent from the time you take the wheat over from the elevator companies until it finally gets into the hands of the Imported Cereals Division?—A. It would be either 3 per cent or better than 3 per cent.

Q. How much better than 3 per cent?—A. I do not know, because we simply make a spread and calculate the spread on the basis of the storage plus 3 per cent interest; and if we can better the carrying cost by selling the cash wheat and exchanging it for futures, we would make the spread.

Q. It seems to me that we are entitled to know how much more than 3 per cent we are paying on that money?—A. You are paying less than 3 per cent.

By Mr. Donnelly:

Q. While you have it, you pay 3 per cent?—A. We have wheat at Fort William in December. We know what the storage rate is; we know what interest rate we would have to pay the bank; and therefore we know what it would cost us to carry that wheat from December to May. If we can better that in the spread by the costs of carrying we would spread the wheat into May rather than carry it from December to May.

By Mr. Wright:

Q. I understand that; but you sell the cash wheat to those exporters?—A. Yes.

Q. And they have to borrow the money from the banks to carry that wheat?—A. Yes.

Q. Well, if they pay you less then they must make it up in storage? They carry it because they hope to make something on it, not for the benefit of their health?—A. They do hope to make something on it.

Q. Or they would not stay in business?—A. Yes.

Q. So that interest they pay is a direct charge against the people of Canada at the present time?

Mr. DONNELLY: No.

Mr. WRIGHT: Yes, because there is nobody else pays it. The people of Canada to-day pay the difference.

Mr. DONNELLY: No; the people of England are paying for it.

Mr. WRIGHT: No; we are giving it to England.

Mr. PERLEY: All these charges are based on the seaboard price.

By Mr. Wright:

Q. The difference is made up between what the Imported Cereals Division pay you for the crop and what the export people selling it to you offer, and you have to make it up; and if there are interest and carrying charges enough to make that greater than the original deal you have to make up the difference?—A. In the first place, we sell the wheat in the form of futures to the Imported Cereals Division basis Fort William. That is the basic cost of the wheat. The exporter puts the actual wheat on to the seaboard and makes an offer to the Imported Cereals Division. He adds to his basic price all his charges including the lake freight, interest, storage and all other charges. The people of Canada do not pay those, the buyer pays them.

Q. But we are giving the wheat to Great Britain to-day?—A. That is another problem.

Q. So we are paying them?—A. I do not think this discussion should become involved with the gift. Under the gift probably we are paying them.

By Mr. Donnelly:

Q. The man buying for the Imported Cereals Division may lose money on it?—A. He could.

By Mr. Wright:

Q. He cannot stay in business and lose money on it, and if he is making money on it, it is being paid by the people of Canada.—A. He takes the risk as to whether he is going to make a profit or not.

By Mr. Perley:

Q. You are allowing your agents 3 per cent interest?—A. We are paying the banks 3 per cent interest on any wheat we carry in terminals.

Q. The agent pays for the wheat?—A. Yes.

Q. And he borrows the money from the bank?—A. Yes.

Q. And what interest does he pay the bank?—A. I do not know; that is his problem.

Mr. DOUGLAS (*Weyburn*): $4\frac{1}{2}$ per cent.

Mr. PERLEY: He does not pay as much as he is charged, or he would not have anything to do with the business.

Mr. ROSS (*Moose Jaw*): Does that not come into his contract?

By Mr. Perley:

Q. If he has to pay the bank more than he receives from the buyer he will go out of business?—A. He pays the bank an interest rate and assesses his charges on the top of the Fort William price and makes an offer to the Imported Cereals Division.

The CHAIRMAN: Do you wish to put further questions to the witness, Mr. Wright?

By Mr. Wright:

Q. I wanted to pursue that point to see if I could find out what charges there were against the wheat and what interest was charged by these people, because we are paying it and we are entitled to know about it and about the commission the exporter receives for handling that wheat?—A. The exporter might own a terminal elevator in eastern Canada and might be quite willing to put that wheat forward and store it for a time in the terminal elevator until the Imported Cereals Division is ready to purchase it, and he may store it at less than the actual statutory charges.

Q. But not less than the actual cost?—A. No; less than the actual statutory charges. It is his wheat, and he can store it wherever he desires.

Q. And the same people who might handle that wheat from the time the elevator company buys the wheat from the farmer might also be interested in a brokerage firm, and might also have a terminal elevator and be an exporter and lake shipper, and might handle that grain right straight through the whole process? How many commissions or brokerage fees would they receive provided they are the same company?—A. In the first place, I do not think that the same people would handle it right through.

Q. I am putting it hypothetically: if they were the same people?—A. I will give you an answer: One of the biggest exporters is the Saskatchewan Pool Elevators, Export Division. They purchase wheat at Fort William and ship it forward to the seaboard and sell it to the Imported Cereals Division. They might purchase it from the wheat board. They act the same as any other exporter. They hope, when they buy the wheat, to make a profit between the buying price and the seaboard price. They take the risk.

Q. I am not interested in the risk. I am interested in the number of brokerages paid on that wheat from the time it leaves the farmer's hands until it reaches the Imported Cereals Division?—A. If you had asked your question in that way I would have given you the answer in regard thereto. What happens is that the farmer, as I said the other day, takes in a carload of wheat to a country elevator.

Mr. PERLEY: Deal with the pool.

By Mr. Wright:

Q. It does not matter. The pool is just a handling concern the same as any other company?—A. Owned by the farmers.

Q. That does not matter?—A. They charge the farmer on a carload lot of wheat, which was the unit we were dealing with the other day.

Q. I know what the handling charges are. I want to know the brokerages?—A. You have asked me for the charges from the time the farmer delivers his wheat until it reaches the Imported Cereal Division.

Q. Very well, proceed, please?—A. They pay $1\frac{3}{4}$ cents to handle it through the elevator and pay a one cent service charge, and it is delivered to the wheat board.

By Mr. Donnelly:

Q. The first commission is the one cent per bushel that the elevators get for selling the wheat to you?—A. For delivering to us.

Q. That is the service charge?—A. Yes.

By Mr. Wright:

Q. Proceed?—A. That is $2\frac{3}{4}$ cents so far.

Q. Yes?—A. When the board sell the actual cash wheat there is a $\frac{1}{16}$ of a cent charge; that means that we have sold the cash wheat and exchanged it for May, probably. That is $\frac{1}{16}$ of a cent.

Q. Is that two $\frac{1}{16}$ ths of a cent?—A. No. $\frac{1}{16}$.

By Mr. Douglas (Weyburn):

Q. To whom is that paid?—A. To a cash broker, who would not be the Saskatchewan Pool. The position is that the cash wheat has been sold and exchanged for May, and when the board sells the May they pay 25 cents per thousand bushels to a futures broker for selling the May. If they carried the May and switched it into July they would pay 25 cents per thousand bushels for the sale of the May and 25 cents per thousand bushels for exchange to July.

Q. Do the board have to put up ahead?—A. No. When the wheat is loaded at Fort William the exporter who buys wheat from the board—and in this case he is the Saskatchewan Pool, both an elevator company and an exporter—puts that wheat down to the seaboard. He has paid for it, remember, paid for it outright. He goes to his bank and borrows money to pay for it. I do not know what interest rate he pays, but I do know that when we sell him the cash wheat and exchange it for May we do it at a better rate. He puts his wheat down to the seaboard, and when he makes an offer to the Imperial Cereals Division in England he adds his charges to the Fort William cost and offers the wheat f.o.b. the steamer at the seaboard plus whatever profit he can make. The profit is largely governed by the competition between exporters. That is all I can tell you about that transaction.

By Mr. Ross (Moose Jaw):

Q. If Mr. Wright does not mind my interjecting, you say the exporter sells the wheat and makes what profit he can make. That really has no bearing on the actual price at which you have sold the wheat to the Imported Cereals Division?—A. No.

Q. In other words, it is to-day's option that is traded, and if they have paid a wider spread to the exporter in Canada that is their affair; it does not come out of the amount the farmer will receive for his wheat?—A. No.

By Mr. Wright:

Q. It does come out of the amount the farmer will receive for his wheat, because for example if the original agreement with the Imported Cereals Division is 90 cents, and the exporter sells the wheat to them and adds charges enough that brings it to, say, 87 cents?—A. No; it does not work that way.

By Mr. Ross (Moose Jaw):

Q. That is the question I asked you to make clear, Mr. McIvor?—A. What happens is that if our original price to the Imported Cereals Division is 90 cents—I wish it was—the charges are added to that price; and the price named at the seaboard, if it was 90 cents, would be 90 cents plus charges to the seaboard.

By Mr. Douglas (Weyburn):

Q. Who pays the charges?—A. The Imported Cereals Division.

Q. So the Cereals are paying more than 90 cents?—A. If Cereals were paying 90 cents, Fort William basis, they would be paying on top of the 90 cents the charges from Fort William.

Q. Who pays whatever profit is made?—A. The Cereals.

Q. That is my point. And naturally what the Cereals are paying is the price agreed upon with you plus whatever charges or profit the exporter may make?—A. Yes.

Q. So actually the amount being paid for the farmer's wheat is 90 cents plus $3\frac{1}{2}$ cents, or $93\frac{1}{2}$ cents?—A. Yes, if the cereals price was 90 cents, Fort William basis and if the charges to seaboard were only $3\frac{1}{2}$ cents, they would be higher.

Q. And; naturally, what is coming back to the farmer,—

Mr. PERLEY: Will come back in a participating certificate!

By Mr. Douglas (Weyburn):

Q. As I understand the original purpose of the Wheat Board Act it was to bring back as much as possible of what is received for the farmer's wheat to the farmer? $3\frac{1}{2}$ cents per bushel has gone to the exporter either in profit or charges?—A. No. In fairness to the exporter I think I should say that the charges are the big item, particularly the lake freight. I would not like to leave a wrong impression by using the word "profit" plus charges; the profit would be fractional.

By Mr. Donnelly:

Q. About what do the profits amount to?—A. I do not know.

Q. A fraction of a cent?—A. Yes.

By Mr. Wright:

Q. Do not futures have to be cleared back again through the clearing house to complete the deal?—A. Yes.

Q. And there is a charge there (no response).

By Mr. Ross (Moose Jaw):

Q. 25 cents per thousand?—A. No. You are referring to the clearing house charges?

By Mr. Wright:

Q. Yes.—A. I am not sure. Mr. Findlay, what is the clearing house charge?

Mr. FINDLAY: One-half cent per thousand bushels.

By Mr. Wright:

Q. The Cereals pay that?—A. No; we pay that.

By Mr. Diefenbaker:

Q. Mr. McIvor, you have mentioned the various transactions and the commissions paid, and the other day you mentioned that any advantage in the price ultimately would go to the farmer under the participation certificates?—A. Yes.

Q. When was that system first introduced?—A. In the days of the McFarland Board.

Q. And it was discontinued for a while, was it not?—A. In the crop years 1936-37 and 1937-38 the system was not discontinued but there was an order in council to the effect that unless the market went down below 90 cents the board would not be operating.

Q. Then it has been in effect since 1938?—A. What?

Q. The system of issuing participation certificates?—A. Since 1935.

Q. But following the operation of the order in council?—A. Yes.

Q. I think this is a matter that the farmers would be interested in finding out. Having regard to the prices received, expenses, commissions and so on paid, take the 1939 crop: Would there be any amount payable to the farmer on his participation certificate if all the outstanding 1939 wheat were sold to-day at present prices, having regard to the commissions and storage charges that have been piled up in the past three years?—A. I would say no; but I would prefer you to ask Mr. Findlay that question.

Q. You are the chairman of the Wheat Board?—A. Yes; but I want to point out that while it is perfectly true that I am the Chairman of the Wheat Board we have various departments who handle the various aspects of the work.

By the Chairman:

Q. May I interject a question? The discontinuance of the use of the participation certificates was never effected?—A. No.

Q. The whole point is that the board did not buy wheat?—A. No.

By Mr. Diefenbaker:

Q. I appreciate that. And so as to the 1939 crop your opinion is that there would be nothing coming to the farmer on his participation certificates?—A. That would be my opinion.

Q. Now, take the 1940 crop, is your answer the same?—A. I would not like to make any answer on the 1940 crop because I do not know.

Q. Having regard to the present price, were you able to sell it and completely get rid of your 1940 crop, and having regard to storage charges, so on, would there be anything coming to the farmer?—A. I do not know.

Q. After listening to you, Mr. McIvor, I am impressed with the mystery of the farmer receiving any information about his wheat and the price to which he is entitled. You say you have no idea about it?—A. No. You asked your question having regard to to-day's price, and I would have to sit down and make a calculation.

Q. Would not an approximate calculation be apparent to you?—A. No.

Q. Well, will you make the calculation?—A. Mr. Findlay will give it to you.

Q. Have you sold all of the 1940 wheat?—A. No.

Q. Did you give any instructions to any brokers to go into the market and buy wheat in April, 1942, and credit it to the 1940 crop?—A. No.

Q. Were any cheques for brokerage issued to any brokers in Winnipeg to purchase wheat in April of 1942 and apply it to the 1940 crop?—A. No.

Q. Your cheques have on the face of them the year of the crop to which they refer, have they not, speaking of the cheques that are issued for brokerage charges?—A. Yes, I think they have.

Q. And the stamp that appears on the cheque, giving the year 1939, 1940 or 1941, represents the year in reference to the transaction in wheat?—A. I want to point out that any purchases we made in April, 1942, or May, 1942, were under Order in Council No. 1803, which gave the board that authority.

Q. Were purchases made?—A. Yes.

Q. In March and April?—A. In April and May, I think.

Q. Were the cheques issued as though they referred to the 1940 crop?—A. You will have to ask Mr. Findlay that question.

Q. You do not know that?—A. No.

Q. If they were, you have no idea of it being done?—A. No.

Q. And it would be contrary to your wishes, because you have told us there were no purchases made to your knowledge in March and April, 1942, on the 1940 account?—A. No. I did say, however, that there were purchases made under the Order in Council which gave the board that authority.

Q. Were the purchases made under the Order in Council for the 1940 crop?—A. They were made under the Order in Council passed in March, 1942.

Q. Look it up and see if there was any authority to make the purchases under the 1940 crop?—A. Have you a copy of that Order in Council?

By Mr. Donnelly:

Q. Was this the freezing order?—A. Yes. Do you want me to read the Order in Council?

By Mr. Douglas (Weyburn):

Q. Just read the portion that gives the board authority in so far as the year is concerned?—A. It reads:—

"2. In order to effect the adjustment recited in this Order, the Canadian Wheat Board is empowered,

- (a) to prohibit further contracts;
- (b) to order present contracts to be closed;
- (c) to fix terms of adjustment of the same;
- (d) to fix terms for adjustment of unhedged cash wheat holdings;
- (e) to buy wheat from persons other than producers at such prices as the Board deems fair and just; and
- (f) to order any grain exchange, trading association, or person to do or refrain from doing any act, as the Board may deem desirable;

3. (a) The Canadian Wheat Board is empowered to enter into ordinary commercial banking arrangements on its own credit, and to borrow money on the security of such wheat delivered to the Board, and the Governor in Council may authorize the Minister of Finance to guarantee advances made to the Board or to make loans or advances to the Board on such terms and conditions as may be agreed upon:

(b) The Board may pay out such moneys for the purchase of such wheat as aforesaid and also for expenses of the Board in connection with administration of these regulations;"

Q. Were you short any 1940 wheat in March and April?—A. No.

Q. How much wheat did you purchase from the market in March and April of this year?—A. I will get that information for you.

Q. Could you give me approximately the amount, because it's so difficult if we have to go back and forth, for the months of March, April and May?—A. I do not know what the amount is.

By Mr. Perley:

Q. Could you give us the position?—A. We can give you the exact amount. I will have to get that for you.

By Mr. Diefenbaker:

Q. You told us that there is no hope to speak of that the 1939 participation certificates will realize anything? You promised to get us the figures and prices as to whether or not the 1940 participation certificates will yield anything to the farmers, and I would like you at the same time to let us know on the present basis whether or not there would be any prospect with regard to the 1941 crop?—A. Are you not going beyond the order of reference in regard to this inquiry?

Q. You are always hedging. You do more hedging around here than you do on the market. (No response.)

Mr. DONNELLY: That is not fair.

By Mr. Diefenbaker:

Q. If it is not within the terms of the order of reference, very well; but it is surprising that you had to be the one to point that out. (No response.)

Mr. Ross (*Moose Jaw*): May I point out that if the chairman of the wheat board would bring down the figures Mr. Diefenbaker asks for we would be able to tell the price that the wheat had been sold at to the Imported Cereals Division.

The CHAIRMAN: The views of the committee and the minister have been that no steps should be taken that would disclose those figures. So far as Dr. Donnelly's statement that he asked to be included in the record is concerned, that was under the other order of reference when dealing with the Canada Wheat Board Act. I desire to point out that distinction.

Mr. Ross (*Moose Jaw*): My point is that Mr. McIvor has said he will bring down certain figures for Mr. Diefenbaker, and my contention is that Mr. McIvor and nobody else has any right to bring those figures to this committee or anywhere else if they are going to disclose by deduction the amount of money that is paid per bushel for wheat by the Imported Cereals Division.

Mr. DIEFENBAKER: Before you make a ruling on that, Mr. Chairman, may I say I find it very difficult to understand the attitude of some members of this committee. We cannot get any information. First, we were denied yesterday information that should be available, and I bow to that ruling; but I would point out that it is very strange that everything about this wheat dealing is a mystery and we cannot get any information. Again to-day we are denied information. Surely, Mr. Chairman, the very fact that this information is being denied us leads one to believe that there are reasons why it is being denied, reasons other than public policy. I make that statement deliberately. I did not ask for figures and I did not ask for details. I asked the chairman of the wheat board to tell us whether on the basis of present prices there would be any return on the 1941 participation certificates. I did not ask him to give particulars, but to compute it himself and let us know. That would not reveal anything.

Hon. Mr. MACKINNON: Mr. McIvor could give us his opinion in a general way.

Mr. DIEFENBAKER: He said he would figure out whether the farmer would be entitled to anything, and that reveals nothing. I protest, and wish to say that if we cannot get any information here, if everything we ask in regard to the matters that were brought before parliament are to be denied us, there can be no purpose to this committee. We are not trying to find anything other than what the farmers are entitled to learn. I did not ask for particulars. I asked Mr. McIvor to examine those figures and tell us whether or not on the basis of the 1941 crop and present prices there is going to be any return to the farmer. That reveals nothing.

Mr. DONNELLY: If Mr. Diefenbaker will refer to exhibit "C" of the report of the Canadian Wheat Board for the crop year 1940-1941 he will see there that the stocks of wheat on hand, valued on the basis of closing market quotations, 31st July, 1941, basis in store Fort William, Port Arthur or Vancouver, amounted to so much, and that based on that there was a loss of \$4,443,300.94. These reports are available for these years, and any man can read them. They are public property.

Mr. DIEFENBAKER: Then why should Mr. McIvor refuse to give us the information?

Mr. DONNELLY: Why should you suggest there is something crooked and underhand about this whole thing? I have sat on this committee for four or five years, and I know that when Mr. McFarland came before the board he refused to produce up-to-date records of all kinds, and the same thing happened in the case of Mr. Murray. Mr. McIvor was with both of these gentlemen, and he has been carrying on this business as it was carried on when he was

with those gentlemen. Why impute that there is anything underhand or crooked about the matter? I wonder if this man's mind is warped to the point that he believes everybody is crooked! It begins to look like that. Let us have a showdown on this thing!

Mr. DIEFENBAKER: A showdown! A showdown on what?

Mr. DONNELLY: On who is crooked or what is crooked.

Mr. DIEFENBAKER: I do not want to get into an argument about crookedness. Personalities should not enter into this discussion at all.

Mr. DOUGLAS: And the doctor is a general practitioner, not a psychiatrist.

The CHAIRMAN: Yesterday the decision was made with respect to a certain matter, and the committee took full responsibility for its action. So far as the matter that has arisen here this morning is concerned, I recognize that Mr. Diefenbaker is a very shrewd cross-examiner. I do not see exactly what he is driving at, but I think we are in duty bound as a committee to recognize the request of the British government not to disclose the price at which they are purchasing wheat in this country. Now, if whatever revealed through Mr. Diefenbaker's method of cross-examination should bring out that information, I do not think it would be in accordance with the declaration of the minister yesterday with regard to the request of the British government.

Mr. DOUGLAS: I submit that nothing has been said by the chairman of the wheat board or by anybody else to show that the information Mr. Diefenbaker has asked for would reveal the figure at which the Canadian wheat was being sold to the British government. If we have got to the position in this committee that we can only extract vague evasions rather than answers to questions we might as well adjourn. If the chairman of the wheat board can give some valid reason why this information should not be revealed, I am prepared to listen to it; but I am not prepared to listen to another member of the committee jumping up on every occasion and trying to stop the information from being given.

Mr. Ross (*Moose Jaw*): No doubt those remarks are directed to myself, but my point is simply that if the information Mr. Diefenbaker asks for can be used to deduce the price of wheat to the British Cereals Import Board, it is improper to give it.

Mr. PERLEY: May I enter into this matter in answer to Dr. Donnelly? He referred to what Mr. McFarland was requested to reveal. I have the report of the committee that dealt with that matter on June 18, 1935, when the Hon. Mr. Ralston asked for the amount of wheat acquired or disposed of during each month, each week or day, naming certain periods, and the month of July of that year was set out. He further said:—

“I want to say it is apparent that the Order in Council does not contain any limitation.”

Mr. DONNELLY: And did he get the information?

Mr. PERLEY: Yes, he did. The report appears on page 305, when every day for the month of July was given. 15,000,000 bushels he had to buy on one day. He answered it verbally.

Mr. GRAHAM: A reference was made yesterday to the 1936 report. That particular inquiry was into the matter of the board going into the pit for the purpose of stabilizing the buying and selling of wheat speculatively to support the market. That matter has never come up under the Murray Board or the McFarland Board, and Mr. Perley should be fair.

Mr. PERLEY: I was answering Dr. Donnelly, who referred to this report.

The CHAIRMAN: Mr. McIvor will enter into the discussion now.

The WITNESS: Mr. Chairman, Mr. Diefenbaker apparently has the impression that I am sitting here trying to hide the work of the wheat board. I want to point out that my understanding of the previous committee meetings was that the information given to the committee would be limited to July 31, 1941, subject to this provision, that if the board could in their judgment give any further information which would not be detrimental they would do so. Am I clear on that?

By Mr. Diefenbaker:

Q. Yes.—A. Now, dealing—and I would like to discuss this with my colleagues—with the 1939-1940 crops, my personal opinion is that the question asked by Mr. Diefenbaker can be answered. He asked if all the wheat of those two crops could be sold at the present time would there be anything coming to the farmers?

Q. Yes. Is there anything wrong about that?—A. Do you mind if I go on?

Q. Fine.—A. To deal with the 1941 crop, however, is a very different matter, and I would immediately say that the information with regard to the 1941 crop should not be given unless the committee wish to reverse their previous decision.

The CHAIRMAN: The order of reference, of course, is that the information regarding the crop years 1939-1940 and 1940-1941 be referred to this committee, and if we get beyond that we are beyond the order of reference.

Mr. DIEFENBAKER: Yes.

Mr. DOUGLAS (Weyburn): The other day I asked Mr. McIvor if the board ever bought cash wheat other than from the producers or through these elevator company contracts, and he said at the time "No" and then he mentioned this Order in Council. May I ask him to explain the activities of the board under the Order in Council, and whether or not they have bought cash wheat from others than producers, by virtue of the powers of this Order in Council.

The WITNESS: I think Order in Council No. 1803 is in the reference. If you want to get that Order in Council now I suppose we can deal with it.

The CHAIRMAN: I thought we would deal with those Orders in Council later?

Mr. DOUGLAS (Weyburn): This affects the whole question of trading.

The CHAIRMAN: I think the orders in council bring in an entirely new feature. I do not know the mechanics of the matter any more than any other member of the committee.

By Mr. Wright:

Q. Would not the 1939-1940 and 1941 crops all be in the same wheat pool?—A. No; they are kept separate.

By Mr. Douglas (Weyburn):

Q. Do you prefer to deal with the Order in Council later?—A. I am satisfied to leave it to the chairman.

Q. Could you give the information as to what wheat we have on hand of back crops, not necessarily specific amounts? For instance have we wheat from the 1938 crop or the 1939 crop or the 1940 crop?—A. I do not think, Mr. Douglas, that we should go beyond the order of reference in that regard.

Q. Then, 1938, 1939 and 1940?—A. Mr. Findlay will give you that information when he deals with the accounts.

Q. Would it be safe to say that we have a considerable amount of wheat from the crop years 1938 and 1939?—A. Now?

Q. Yes?—A. Do you wish to go beyond the order of reference?

The CHAIRMAN: The order of reference is to the end of the crop year 1941.

By Mr. Douglas (Weyburn):

Q. I can see no objection to the committee what stores of wheat you have on hand at the end of a given period with respect to past crops?—A. We discussed

that whole thing at previous meetings, and I was perfectly satisfied to leave it to the judgment of the committee, and the committee decided not to go beyond July 31, 1941.

Q. Then as at the end of July, 1941, what do you say?—A. It is all in the reports.

Q. The position outlined by you, Mr. McIvor, to Mr. Wright when dealing with the passage of wheat from the producer to the Imported Cereals Division is based on a continuous movement of wheat. Now, we have on hand a considerable amount of wheat from past years. What is the position with reference to that wheat which was exchanged by the wheat board for futures, wheat that has not moved out of the country? Has that wheat continued to move? Has the board continued to trade in futures on that wheat, and if so, how often would those wheat futures change hands, referring to the 1937 and 1938 wheat, if it is held for two or three years?—A. I wonder if you would deal with that when you come to deal with the financial statements? We shall have to deal with all that anyway, and we are just going around in circles.

Q. Certainly I do not want to go around in circles. Mr. McIvor gave a statement this morning with reference to brokers charges that would be paid in the event of the wheat moving straight through from the producer to the ultimate consumer. Now, a large amount of wheat in Canada has not moved straight through, is that correct?—A. Yes.

Q. In the event of wheat being in Canada over a period of two or three years,—and there has been wheat that stayed in Canada that long—A. Yes.

Q. How often would that wheat change hands, and how many brokerage charges would have to be paid in Canada for that wheat while it stayed in Canada for a period of two or three years?—A. Under the statement which is going to be printed you have the total brokerage up to July, 1942.

Q. With all the switches that were made I want to know how often the wheat would change hands, and how many times brokerage charges would be paid on it?—A. That would all depend. Take, for example, the 1939 wheat: we were receiving delivery of wheat for 1939, some of which we still have on hand, and we would probably switch that wheat from October, 1939, to May, 1940. The next transaction would probably be from May to July, and the next transaction probably from July to October, then October to May.

Q. You missed December.—A. Ordinarily the spreading is done direct from October or December through to May.

Q. So you make a switch about three times a year?—A. Yes.

Q. And each time you would exchange your futures?—A. Yes, but the other party would be paying the brokerage.

By the Chairman:

Q. In some of those periods under certain circumstances you might take delivery of the wheat?—A. Yes.

By Mr. Douglas:

Q. And in some circumstances you might sell the futures before the time of delivery if it were advantageous to do so, or you might dispose of the futures a few days after you purchased them?—A. We might; but with the present position and heavy stocks of wheat in Canada it would be unlikely.

By Mr. Perley:

Q. If all the other brokers had decided they were going to clean up the May wheat or March, what would happen?—A. Would they want to go short to May?

Q. No. Whatever position they happened to be in, if they wanted to change it?—A. There is nothing to prevent them.

Q. I have bought and sold the May half a dozen times in the first half of the year, and I have taken delivery of it in May and also delivered it in

May, so the board cannot take the position that they are only going to do a certain thing with respect to this wheat as long as they are dealing with 90 brokers and I do not know how many exporters' firms?—A. There is nothing to prevent any broker trading as the market suits him, but he is not acting on behalf of the board if he does that.

By Mr. Douglas:

Q. What I want to establish, Mr. McIvor, is that this wheat retained in the country will be switched probably three times a year, and it can be switched oftener?—A. Yes, but as to any wheat from the 1939 crop, any futures we may have on hand for the 1939 crop, the chances are that it probably has been switched three times a year.

Q. Yesterday you said in your evidence that you used the brokers because you found it was in the interests of the board so to do?—A. Yes.

Q. And you said in another place that you are using the brokers because they were specifically mentioned in the Act and it is also specifically mentioned in the Act, clause (j) of Section 8, that if you do not find the present facilities satisfactory you can set up your own facilities, and the reason you have not set up your own facilities is because you have found the present trading quite satisfactory?—A. Yes.

By Mr. Perley:

Q. Referring to page 15 of the report of the Canadian Wheat Board with respect to the crop year 1940-1941, the balances on hand in the different months for the 1939 and 1940 crops are shown, and for the months of June 1940 there appears the figure of 223,297,901 bushels. Is not that cash wheat?—A. Mr. Perley, at the previous meeting when the question of accounts was discussed, I particularly requested that Mr. Findlay should deal with the accounts.

Q. Can you not read this report?—A. Yes, I can read it; but you are asking me for expert evidence with regard to the accounts.

Q. No; I am asking you what futures you had on that date?—A. What date?

Q. June, 1940. The balance on hand of the 1940 crop is shown at page 15, and for the months of June the figure is 223,297,901 bushels. That is cash wheat. It deals with cash sales and cash wheat. What options did you hold on that date?—A. Referring to June, 1941?

Q. At page 15 of the report the balance on hand of the 1940 crop in the month of June is shown as 223 million odd bushels. (No response.)

Mr. Ross (*Moose Jaw*): That is the crop year for 1940?

Mr. PERLEY: Yes, it is the year 1941.

Q. What do you say?—A. I will see if I can get information for you from Mr. Findlay. If you will turn to exhibits "C" and "E" you will get the information there. Mr. Findlay says he has not the information as of June 30.

The CHAIRMAN: May I point out that these are rather complicated matters to deal with. Does the committee wish to deal with those financial statements now?

Mr. WRIGHT: I would like to ask another question, Mr. Chairman.

Mr. PERLEY: Read the options — —

The CHAIRMAN: Mr. McIvor points out that he would rather have Mr. Findlay deal with this feature of the matter. Perhaps Mr. Wright could complete what he has to say, and then the committee might agree to call Mr. Findlay.

Mr. PERLEY: I had only one more question to ask with reference to the options, and Mr. McIvor can answer this question:

Q. Referring to the statement Dr. Donnelly has evidently reviewed with you, since his questions are very easily answered in the affirmative, mention is made of the futures up to the 1st July, 1942. Have you any May futures or have you cleared all your futures into July, because this is the month of May? (No response).

Q. Here is the point: All the wheat that you have of 1939, 1940 and 1941 is now in the July futures is it, or is there some in May?—A. I presume so. This statement deals with the spread.

Q. But it is up to the 1st July, 1942?—A. Yes.

Q. How much May have you there and how much July?—A. We are going beyond the 31st July, 1941.

Q. Dr. Donnelly tabled that?—A. This deals entirely with the spreads, and the understanding was, as I recall, that any information the board felt they could give beyond July 31, 1941, they were quite within their rights to give.

The CHAIRMAN: Yes, the order of reference deals with the matter up to the end of the crop year 1941, and the statement referred to by Mr. Perley was requested by Dr. Donnelly when the amendment to the Canada Wheat Board Act was before the committee; and apparently that statement has been produced. That is what Mr. Perley and Dr. Donnelly have been referring to recently. I submit that so far as this order of reference is concerned, the board should not be obliged to go beyond it.

Mr. PERLEY: In reply to that may I say Dr. Donnelly used this statement to substantiate an argument of \$10,000,000 saved by that system. Now, his whole argument is of no use if we cannot use that statement or get some information from it. It deals up to July, 1942, and Dr. Donnelly tabled it evidently with Mr. McIvor's acquiescence. I want to ask Mr. McIvor if all the options he is holding are now in July or is there a portion in May?

The CHAIRMAN: This statement was produced in answer to another question entirely.

Mr. PERLEY: Then if Dr. Donnelly will delete all of the arguments he has thus far made, very well.

Mr. Ross (*Souris*): Mr. Chairman, you are not suggesting that a certain member of this committee can use a statement to prove an argument and another member cannot use the same statement to prove another argument? He counted 32 transactions to prove an argument that there was a saving of \$10,000,000 and you made no objection to him using that statement up to a given point this year. Now something just as relevant to the matter arises and you object to another member of the committee using exactly the same statement that Dr. Donnelly quoted from?

Mr. PERLEY: I am asking, with respect to that statement, what amount of options are held in May and in July.

The CHAIRMAN: That is not the question Dr. Donnelly was asking at all.

Mr. WRIGHT: He used that information to prove his point.

Mr. Ross (*Moose Jaw*): You can use that information to prove any point you like.

Mr. DIEFENBAKER: That is exactly what I have been objecting to. I have no doubt that after Dr. Donnelly thought the matter over he realized that he went far too far a while ago in his heat — —

Dr. DONNELLY: Not a bit.

Mr. DIEFENBAKER: "Not a bit"!

Mr. DONNELLY: I went no farther than you went.

Mr. DIEFENBAKER: That is fine. That is the attitude that has been adopted right along. Apparently we are to be denied information which is made available to government members of the House.

Mr. ROSS (*Moose Jaw*): That statement should be withdrawn.

Mr. DONNELLY: That is not fair.

The CHAIRMAN: So far as the order of reference is concerned, apart from whether the chairman of the wheat board is able to furnish the information or not, it was decided by a vote in committee. I submit that we are bound by the order of reference. The information which Dr. Donnelly has been referring to, and which has been referred to by others was procured before the order of reference was passed, of course.

Mr. PERLEY: Not secured, but asked for and produced after this session started.

The CHAIRMAN: Are there any further questions?

By Mr. Wright:

Q. You still hold some 1939, 1940 and 1941 wheat?—A. Yes.

Q. What is the determining factor as to which crop you will sell wheat from?—A. It is the relation of one quantity to another, Mr. Wright.

Q. You sell a proportion from each?—A. A proper ratio from each crop.

By Mr. Donnelly:

Q. Have you got rid of all the 1938 crop?—A. Yes.

Q. You just have the 1939 and 1940 crops?—A. And 1941. Mr. Chairman, Mr. Quelch the other day asked for the percentage of wheat handled by the board in the three years from 1938-1939 to 1940-1941. These percentages are:—

1938-1939..	100 per cent
1939-1940..	81 per cent
1940-1941..	87 per cent

Yesterday I made the statement, in answer to a statement made by Mr. Perley, that the McFarland Board had actually sold wheat from the 1935 crop in exchange for futures. The statement Mr. Perley made, as I recall, was that the Canadian Wheat Board Act was enacted only for the purpose of dealing with the old wheat of the Canadian Co-Operative Wheat Producers. Mr. Perley questioned my statement.

By Mr. Perley:

Q. Pardon me, they would dispose of the futures and the cash wheat?—A. Yes, from the old Canadian Co-Operative Producers. You questioned my reply and I want to read from the proceedings of the Turgeon Grain Commission of 1938 at page 103. The title at the head of the page is:—

“Mr. McFarland’s Operations under the Canadian Wheat Board Act, 1935.”

Then it goes on:—

“Mr. McFarland started his operations under the new Act on September 12 by making sales on the futures market. In the four month period August to November, country deliveries amounted to 167,475,000 bushels, of which the Board received 102,766,855 bushels (Exhibit 428). Net sales during the same period amounted to only 12,577,668 bushels. While considerable quantities of cash grain were sold (34,960,668 bushels), futures were acquired in exchange to the extent of 34,778,000 bushels.”

By Mr. Perley:

Q. Of course, there was an argument later on as to whether or not he had the power to do that, and I think the evidence showed that he did some of that cleaning up in the deal with old Saskatchewan Co-operative Wheat Board or pool that he took over.—A. The report is very clear, Mr. Perley.

By Mr. Fair:

Q. I have been wondering for some time how many employees have been engaged on the Winnipeg Grain Exchange, including brokers and their assistants?—A. Do you mean the total number of employees in the Winnipeg Grain Exchange building?

Q. Yes?—A. I do not know how many there would be.

Q. Can you tell me approximately? (No response.)

By Hon. Mr. MacKinnon:

Q. Hundreds?—A. I imagine there are thousands.

By Mr. Perley:

Q. Referring to the exporters, there are how many exporters?—A. There are about 20.

Q. How many have interior elevators and terminal elevators?—A. I shall have to make a calculation.

Q. I have a list of the members of the exchange, if it will help you?—A. Will you give me your list.

Q. Yes?—A. Thank you. I can give you the information later.

Q. Can you give me offhand how many exporters there are that have not terminal elevators or interior elevators?—A. I will give you that, too.

Q. The firms known as the "Big Three" are Dreyfus, Banks and Continental?—A. Dreyfus is now Laval.

Q. To what extent do they figure in export transactions?—A. Their business has been considerably reduced since the war, particularly since the invasion of the continent by the Nazis. Prior to the war they had a very big business on the continent, relatively more than the so-called straight Canadian exporters, so I would say that their percentages are away down from what they were prior to the war.

Q. Could you indicate what percentage of the export business they were doing just prior to the war?—A. If you do not mind I will ask Mr. Smith. Mr. Smith, can you give me approximately the exports handled by the "Big Three" prior to the war?

Mr. SMITH: No.

By Mr. Perley:

Q. If Mr. Smith is coming before the committee you can get that information from him. There are one or two American firms exporting?—A. Yes, they are Canadian companies, but branches of American companies.

Q. The Saskatchewan Pool, of course, is one of our main export companies?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. Are the United Grain Growers in the export business now?—A. Not now.

By Mr. Wright:

Q. Have the English companies any export firms in this country?—A. Export buying agencies?

Q. Yes?—A. Prior to the war the Co-operative Wholesale Society had an import office in Montreal, and they handled a lot of wheat through that office, but whether they are operating now, I do not know. I do know that they are not operating in regard to the Imported Cereals business, so far as offers are concerned.

Q. The Rank Milling Company in the old country have no interest in the export firms in this country?—A. Not to my knowledge.

Mr. QUELCH: Is Mr. McIvor coming back again?

The CHAIRMAN: He will still be here.

Mr. QUELCH: I wondered if Mr. McIvor could define the basis upon which the farmers' delivery quota was established in 1941? I am not criticizing the quotas, because generally speaking, I think they were fair, but the common understanding in the first instance was that they would be based on the percentage of the yield of the farmers' basic wheat acreages, and later on it was decided to take an average of the farmers' basic wheat acreages in any one district and where a farmer's production was above the average his quota was reduced, and vice versa, where his production was below the average it was increased.

The CHAIRMAN: Would you let that question stand until later?

Mr. QUELCH: Perhaps Mr. McIvor would make a note of it?

The WITNESS: I have made a note of it. Mr. Perley, with regard to your question as to the exporters with elevators and without elevators, I have here a list of the exporters with elevators.

By Mr. Perley:

Q. Give me the number first?—A. Six.

Q. And without elevators?—A. Seven. I gave you a figure of 20, but I was wrong; there are 13 exporters altogether. These are the exporters who have offices in Canada, and there are other exporters who deal with Canadian wheat who have no offices in Canada but who have offices in New York.

Q. Of those 13 how many are purely Canadian firms?—A. Six.

Q. And they are?—A. The Saskatchewan Pool, Richardson's, Reliance, Parrish & Heimbecker, K. B. Stoddart,—and I want to make it clear in the case of K. B. Stoddart, that they have an office in Great Britain but their office here is the Canadian company—and Hallet & Carey. The other companies are Canadian companies, but subsidiaries.

Q. The others of the 13?—A. Yes.

Q. Could you tell us to what extent or proportion you use those six Canadian firms as compared with the whole, or which one of the six gets the largest amount of business?—A. I do not know. They purchase their wheat and ship it, and I do not know who would get the largest percentage.

Q. You do not know who would get the largest percentage of your business?—A. No.

Q. I suppose it depends on which had the best connection in the old country?—A. That has a lot to do with it.

Q. Have these export firms all got representatives in the old country at the present time?—A. Yes. Mr. Folliott says that in his opinion it is safe to say that Reliance and Richardson's are the two largest shippers.

Q. The two largest shippers that the wheat board deals with?—A. Yes.

Q. They are both good Canadian firms. Have the board got a representative in Britain at the present time?—A. Yes.

Q. Who is that?—A. A. R. V. Biddulph.

Q. Is there any particular member of your board who represents the British Cereals committee?—A. No.

Q. Mr. Smith does not?—A. No; he is a member of the board.

Q. Is there any particular member of the board who deals with the representatives in Montreal, Gowan and the representatives of the shipping interests?—A. No.

Q. How do you get in touch with Gowan and the shipping fellows?—A. We have very little to do with Gowan. If he wants any information he calls us upon the telephone, but he does not necessarily need to keep in touch with the board because his job is to keep in touch with the exporters.

Q. You get instructions from the Imported Cereals Division to deliver futures for wheat?—A. We get instructions from the Imported Cereals Division to turn over futures, and those instructions come by cable from Mr. Biddulph in London.

Q. To turn it over to some of these exporters?—A. Yes.

Q. Who does the forwarding agent Gowan get in touch with?—A. He is notified by the Imported Cereals Division that certain boats are coming in, and he gets a list of the sales that the exporters have made to the Cereals and loads the boats in accordance with his instructions and best judgment.

Q. So flour might be loaded into these boats as well as wheat?—A. Yes.

Q. And in getting the flour he would deal directly with the millers or the export firms.—A. It would be the millers.

Q. He could not do that overnight? I suppose he has to take quite a little time in getting shipments ready?—A. I think the millers generally try to get their flour stocks down to the seaboard to take care of loading on instructions from Mr. Gowan.

Q. And, of course, if they have orders from people and have secured the wheat from the board, they naturally expect when they take the order to get it as soon as possible to a shipping point?—A. I would think so.

Q. The evidence you have given this morning refers only to about four trades in futures?—A. Where do the four come in?

Q. Go back to what you stated yesterday. The elevator in the country is your agent?—A. Yes.

Q. He takes in wheat from day to day and reports daily to the board, and they pay for it?—A. Yes.

Q. And then that wheat remains there until you order it out?—A. That is right.

Q. And in the meantime do they draw on you from time to time?—A. No.

Q. I see in one of your statements here that you had a liability with the grain firms or your agents of \$140,000,000 at one time?—A. Yes.

Q. That would be more than the value of one crop, would it not?—A. Oh, no.

Q. \$145,000,000?—A. No.

Q. Well, at the end of the crop year?—A. The value of the 1940 crop would be closer to \$250,000,000.

Q. How often do you make advances to the elevator fellows?—A. On wheat in the country?

Q. Yes.—A. We do not.

Q. It is all arranged with the banks?—A. Yes. They make their arrangements with the banks. All we do is pay the interest and carrying charges.

Q. And they report to you daily?—A. Yes.

Q. And when do you hedge that grain?—A. Oh well, we would order the wheat forward to Fort William. We do not hedge in the ordinary way. We would dispose of it just as soon as we could, and probably exchange it for a future and dispose of the future.

Q. What arrangement have you with the clearing house?—A. We have an arrangement with the clearing house that we do not have to put up any original margin.

Q. You just pay a clearing house fee?—A. Yes.

Q. And the board of governors of the grain exchange have to know who are trading for you, what brokers are trading for you, do they not?—A. No.

Q. Can they go in the pit and trade in any amount?—A. As long as they are members of the exchange in good standing, yes.

By the Chairman:

Q. Are they all licensed?—A. Yes.

By Mr. Perley:

Q. And they get a credit in the clearing house for the number of bushels they trade in?—A. They arrange a credit in the clearing house.

Q. Just as I might establish a credit with the bank for so many thousands of dollars, they are permitted to trade in so many millions of bushels?—A. Yes.

By Mr. Diefenbaker:

Q. How many members of the board are members of the Grain Exchange?—A. All of us.

Q. All members of the board?—A. Yes.

Q. Have you any representatives in the board, executive officers and the like, besides the members?—A. Yes, we have a sales manager.

Q. What is his name?—A. Mr. Pethick; and we have an assistant sales manager, Mr. Brooking, who is a member of the Exchange.

Q. And no others?—A. No.

Q. You yourselves never go into the pit to trade?—A. No.

Q. They would likely know for whom you were trading?—A. They would have a pretty good idea.

Q. The idea of switching these brokers around is to keep your trades under cover? You do not use them all on the one day?—A. No.

Q. But do not most of the brokers have a good idea as to who the other are trading for?—A. They do a lot of guessing; sometimes they are right and sometimes they are wrong.

Q. They would know about the orders in the country?—A. Yes, they would probably make a very good guess.

By Mr. Diefenbaker:

Q. In the last two months have you equalized the payment of brokerage charges among the brokers trading on the Exchange?—A. I said yesterday that if brokerage was to be given to the committee, it would all be given.

Q. You refuse to answer that question, too?

The CHAIRMAN: I think that was settled yesterday.

Mr. DIEFENBAKER: No; only particulars of names. So we are denied the right to ask a question about brokerage?

The CHAIRMAN: That was settled yesterday.

By Mr. Diefenbaker:

Q. Has there been any change in the last two months in the distribution of brokerage among the brokers on the Exchange in order to equalize payments?—A. We try to equalize them as much as we can.

Q. Has there been any change in that attitude in the last two months?—A. There has been no change in the policy of dealing with brokers in, not the last two months but the last two or three years.

Q. Has there been any equalization of the amounts paid to brokers within the last two months, or has any order gone out from you to that effect?—A. Our instructions to our sales manager are to take care and look after the brokers in regard to our sales on as equitable a basis as possible having in mind efficiency, value to the board, and any other considerations which in his judgment should receive his attention.

Q. But you will not furnish us with the high and the low?

The CHAIRMAN: I think the committee decided that question yesterday—

By Mr. Ross (Souris):

Q. When was the present policy of dealing with brokers established?

The CHAIRMAN: May I finish? I was saying that when Mr. McIvor and the members of the board appeared here yesterday and said that if information in detail was to be given with respect to the operation of brokerage they would prefer to give all or none, the committee decided that the details would not be given. I think that should be all-inclusive.

The WITNESS: I would like to answer Mr. Ross' question: The policy regarding the distribution of brokerage was first established by Mr. McFarland under the stabilization operations.

By Mr. Ross (Souris):

Q. On the same basis exactly?—A. Practically the same principle of paying brokerage was carried from the McFarland Board through the Murray Board to the present Board.

Q. You said the policy had been established two or three years ago, or had not been changed for two or three years?—A. You or Mr. Diefenbaker asked about the policy of the present board, and I went back to the days when the present board was established, when I took over in 1938.

Q. But the other day you said that you had established a new policy in dealing with the brokers during the war?—A. I did not say that. When did I say that?

Q. There was some mention made the other day about the system developed in the old country, and I said: "Indirectly that is now what is carried out in this country?" and I understood you to say "Yes". Apart from that you said the present policy has been in operation for two or three years, and I think that is significant.—A. In order that there may be no misunderstanding about the matter, I will say that in regard to the payment of brokerage the principle of payment of brokerage (and to a very substantial extent the details), was established by Mr. McFarland under the stabilization operations, and carried on from the McFarland Board into the Murray Board and from the Murray Board into the present board.

Q. No change in the policy has been made in regard to the brokers?—A. No.

The CHAIRMAN: No change in the general principle.

Mr. Ross (*Souris*): I am not talking about principle but about policy.

The CHAIRMAN: What is the difference between principle and policy?

By Mr. Ross (Souris):

Q. You made it evident on the stand on Wednesday that in the matter of paying the brokers the payments were made on a monthly basis varying from \$50 upward?—A. No. I would like that evidence produced.

By Mr. Perley:

Q. I think I stated something about the market being equalized in the old country, and you made the statement that the Cereal Imports selected certain brokers or men of that character to do their work for them based on the business for three years of peace time. I then made the remark that it was practically what is being done here, someone selecting the brokers, except that the market is not equalized.—A. No; there is a difference in principle, Mr. Perley. In England, as I understand it, brokerage is paid to the brokers based on their earnings for the three years prior to the war. The market is closed, but there is some basis struck having regard to their earnings for the three years prior to the war. In Canada the market is open, and brokers are used by the board along the lines I have outlined. The principle of using brokers in that way was first established in the stabilization operations of 1935.

Q. In other words, the market is open here and the brokers are here, but there is no business for them other than the board's business, and the board has decided it will use 116 brokers?—A. There is business other than the board's business.

Q. Very little?—A. You say there is no business?

Q. Mighty little other than the business of the board, having regard to the system of quotas and permits. (No response.)

The CHAIRMAN: There is all the coarse grains business.

By Mr. Donnelly:

Q. You might find a broker operating only since 1938, or probably he operated only two or three days and left the city?—A. I know one gentleman who has made bitter complaints about not getting enough brokerage, and he spends about six months of the year in Victoria.

Q. A gentleman like that would not get much brokerage, because he is not there?—A. No; he is not there.

The CHAIRMAN: Now we are getting down to a discussion of details that the committee decided it would not ask for.

By Mr. Ross (Souris):

Q. Yesterday you said there was a limit of 300,000 bushels in any one deal?—A. Yes, on spreads.

Q. When did you set up that regulation?—A. I think within the last two years.

By Mr. Perley:

Q. These two brokers, Brooking and the other man . . . —A. Pardon me, they are not brokers, but employees of the board; they are the sales manager and assistant sales manager.

Q. Do they go in the pit?—A. No.

Q. And you have no special brokers that go in the pit daily?—A. No.

By the Chairman:

Q. You may use any one you send in there?—A. Yes.

By Mr. Perley:

Q. And there is no margin put up in any of these trades?—A. The board's account is guaranteed in the clearing house under an Order in Council.

Q. But these other brokers have not any margin at all?—A. That concerns them and the clearing house; that is their business, not ours.

By Mr. Diefenbaker:

Q. Do not the rules provide for putting up a certain amount?—A. Yes, they do.

Q. And is that amount put up by the brokers appointed by you to deal for the board on the Exchange?—A. No; they have to put up margin on any trades they may make on their own account or on behalf of their own customers.

Q. But not on behalf of the wheat board?—A. No.

By Mr. Ross (Souris):

Q. How long is it since the other end of the deal, as it was termed, of nominating the broker has been in force?—A. Back in the time of the McFarland board the policy was that each side should pay half, and they nominated the brokers and we made the payments.

By Mr. Perley:

Q. If you buy a future you have to sell it?—A. No. In those days the stabilization operations paid half and the other side paid half, and now the other side pay it all.

By Mr. Fair:

Q. Taking into consideration the cost of that transfer. (No response.)

By the Chairman:

Q. What is your guarantee of the reliability of the brokers you deal with? Are they licensed?—A. Yes, they are members of the Grain Exchange in good standing.

By Mr. Diefenbaker:

Q. Before you make payment have they to produce brokerage slips signed by themselves?—A. I am not sure of the system Mr. Findlay follows. He is the man responsible for the payments.

Mr. DIEFENBAKER: Mr. Findlay, is a brokerage slip required?

Mr. FINDLAY: Yes they produce a card every day.

By Mr. Perley:

Q. In a trade in the pit your broker would okay a slip to the other fellow and the other fellow would okay a slip to your broker?—A. Yes.

By Mr. Diefenbaker:

Q. Are there any payments made for brokerage without brokerage slips being completed?—A. I think you had better ask Mr. Findlay that question.

Mr. FINDLAY: No.

By Mr. Perley:

Q. Could any of the trades be made along the line Mr. Diefenbaker suggested where slips might be signed but the trade was not made in the pit? For instance I can come into your office and put through a deal and sign a slip there, but it did not go through in the pit in the ordinary way?—A. All trades are made on the floor of the Exchange; it might not go through the pit.

Q. They are made in the offices of the Exchange, are they not?—A. No; on the floor of the Exchange.

Mr. Ross (*Moose Jaw*): It would not be legal for them to do that would it? (No response.)

By Mr. Perley:

Q. How about the fellow who is operating the clock?—A. Mr. Perley, the only trades not made on the floor of the Exchange might be spreads, and cash wheat might not be sold on the floor of the Exchange.

Q. But they have to be cleared?—A. Yes, the futures trades.

By Mr. Diefenbaker:

Q. Did you give any authorization to Mr. Folliott or anyone else, or was it discussed by the board on May 4, 1942, to double the minimum amounts payable to brokers from \$50 to \$100 per month?—A. Well, Mr. Diefenbaker, we do not pay them \$50 to \$100 per month.

Q. I will just ask you this: Was there any instruction given by your board that the regular \$50 payment paid to certain brokers was to be doubled on May 4, 1942?—A. Mr. Pethick, who is our sales manager, once a month brings in his recommendations regarding brokerage. It is quite possible that that may have happened if we had a sufficient amount of brokerage to distribute.

Q. But did the board on May 4, 1942, authorize the increase to any brokers from \$50 to \$100 per month, \$50 being the amount they had received for several months?—A. I will have to check on that.

Q. If such a thing did go through the board, you would know that as chairman of the board?—A. I am just checking on it.

Q. You have no knowledge of it?—A. I would not like to say that. I would like to point out to you something that probably you do not know: This board is operating in millions of bushels and millions of dollars, and it would be impossible for me to answer every question in detail.

Q. I appreciate that, and I also appreciate how annoyed you were at the statement Mr. Hanson made in the House in regard to brokerage, and I asked you— A. You say you appreciate how annoyed I was?

Q. You showed it by your attitude, I thought?—A. Did I?

Q. I am not answering you. I am asking you was there a meeting of the board about the first week in May authorizing an increase or not?

The CHAIRMAN: I do not like to interrupt, but I put it up to the committee again as to whether or not we disposed of this brokerage matter yesterday and whether we are going to continue the discussion of it? Again I point out, Mr. Diefenbaker, that this particular matter happened in 1942, and the order of reference is as to 1941. I am in the hands of the committee in matters of this kind. I do not know what the answer of the witness will be.

By Mr. Ward:

Q. Mr. Diefenbaker referred to a guarantee of \$50 per month. To what does that refer?—A. I would like to find that out.

Mr. DIEFENBAKER: I would like to find out. I was denied the opportunity of proving that.

By Mr. Donnelly:

Q. Did you ever guarantee the brokers \$50 a month in the past? (No response.)

Mr. Ross (*Moose Jaw*): We voted on that yesterday, and now Mr. Diefenbaker insists, and insists and insists, although the committee voted against him. It is now a question whether Mr. Diefenbaker is running the committee or the chairman.

Mr. DIEFENBAKER: I asked yesterday for the names of the brokers and that request was denied. Now I am asking for information as to the system employed, which is one of the matters submitted to this committee. You denied me the right to ascertain the names and particulars, but there was nothing in that motion that denied my right to ask questions based on brokerage without asking for the names or the amounts.

The WITNESS: Mr. Diefenbaker, I want to say to you that so far as the monthly distribution is concerned there is no set figure per month that any broker will receive. Secondly, the board meet once a month and survey the amount of business that has been done, and the distribution is made on that basis. There is no fixed amount per month distributed.

By Mr. Diefenbaker:

Q. Was there a survey made on or about the 1st of May whereby those who had heretofore been receiving \$50 per month were increased to \$100 per month? A. There were no brokers receiving \$50 per month, no fixed amount of \$50 per month.

Q. There were certain brokers who received \$50 per month?—A. No; they may have for a time, but there was no guarantee on the part of the board to pay any broker \$50 per month.

By Mr. Ross (Souris):

Q. Upon what basis do you make that distribution?—A. The amount of bushels.

Q. The exact amount of bushels in dollars and cents, and the brokers get their cheques for a given amount of bushels?—A. Yes.

By Mr. Wright:

Q. Whether they have actually done business in regard to those options or not?—A. Yes.

By the Chairman:

Q. So much money comes in from earnings, and you distribute it among the brokers?—A. Yes.

By Mr. Donnelly:

Q. According to the advice you receive from your men?—A. Yes. There is nothing new in the point you have raised, Mr. Wright. I said in my state-

ment yesterday that we dealt with brokers collectively, although every broker might not put through a particular transaction. There is nothing new in raising the point that a broker who has not actually put a transaction through may get a cheque.

By Mr. Wright:

Q. I realize that; but I do not think any broker should be paid except for the actual business he does?—A. If you carry your argument through you would say that the board under the Act is charged with the responsibility of dividing up that 1,000,000 bushels and giving it to ten brokers or to one broker, even if they felt that by giving it to ten brokers instead of one broker they were going to injure their position in regard to that sale? I do not think so.

Q. If you are going to divide the money among the brokers?—A. There is no more money paid out if you use ten brokers or ninety brokers.

By Mr. Ross (Souris):

Q. You say there are cheques issued to the brokers without any direct service being rendered?—A. There are cheques issued to brokers where they might not have put through a particular deal; it was put through by other brokers and dealt with collectively.

By Mr. Ross (Moose Jaw):

Q. In other words, you are pooling the brokerage amongst the brokers?—A. We are dividing it in accordance with our instructions under the Act.

By Mr. Perley:

Q. And do you think it requires ninety option brokers and 25 cash brokers to sell a crop of wheat?—A. No; but under the Act whether there were ninety or nineteen you would still have to pay the same amount of brokerage out.

Q. But it does not necessarily say you have to give fifty of them a meal ticket, guaranteeing them so much a month. (No response.)

Mr. Ross (*Souris*): Mr. Chairman, I think it is very evident now that although you have been trying to rule us out we have been in order in trying to discuss brokerage to some extent. We have had the admission from the chairman of the board that some men have received cheques without rendering any services.

The CHAIRMAN: Not without rendering any services.

Mr. Ross (*Souris*): Yes.

The CHAIRMAN: Not on a particular trade made on a particular day.

Mr. DIEFENBAKER: As allocated at the beginning of the month.

By Mr. Ross (Souris):

Q. The broker is paid at the end of each month?—A. He might be, or he might be paid in the middle of the month.

Q. And most frequently at the end of the month?—A. Yes.

Q. You would not care to say what the maximum cheque would be that is issued to a broker?

The CHAIRMAN: I think that item was dealt with yesterday.

Mr. Ross (*Souris*): I submit it was not. You can look up the resolution. We asked for the names of the brokers and the amount of brokerage paid, and it was voted down.

The CHAIRMAN: That resolution was brought about by a considered statement of the wheat board officials that if they were to give any details with respect to any amount of money that the brokers received, they would prefer to give the whole statement or none. It was put up to the committee, and the committee voted that the information be not given. I think such a vote on the part of the committee includes the whole matter.

The committee adjourned at 1:00 o'clock p.m. until 11.00 o'clock a.m. on Monday, May 18, 1942.

CAI
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

MONDAY, MAY 18, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board
Mr. R. C. Findlay, Comptroller, Canadian Wheat Board
Mr. D. G. McKenzie, Chairman, Board of Grain Commissioners

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

MONDAY, May 18, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Clark, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Ferron, Furniss, Gardiner, Golding, Henderson, Leger, Mackenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, Matthews, Nielsen (Mrs.), Perley, Rennie, Ross (*Souris*), Ross (*Moose Jaw*), Senn, Soper, Ward, Weir, Wright.—27.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:
Mr. George McIvor, Chairman of the Canadian Wheat Board;
Mr. C. Gordon Smith, Assistant Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller; and
Mr. C. B. Davidson, Statistician.

The minutes of the previous meeting held on Friday, May 15, were read and adopted.

The Clerk of the Committee read the letter sent on instruction of the committee to Hon. R. B. Hanson, M.P., Leader of the Opposition, and his reply.

Ordered that the same be filed.

The chairman informed the committee that Hon. Mr. MacKinnon had some further information to give to the committee, and Mr. MacKinnon then read a cable he had received from the Imported Cereals Division of the British Government, signed by Mr. Hooker, Deputy Controller of the Cereal Division.

Mr. George McIvor was recalled and further examined.

Witness retired, subject to recall.

Hon. Mr. Gardiner, Minister of Agriculture, in attendance as a member of the committee, answered questions regarding the prices on agricultural products and his interviews with Mr. Rank, Chairman, and Mr. Hooker, Deputy Director of the Imported Cereals Division, during his visit to England in 1940-41 in regard to the closing of the Winnipeg Grain Exchange.

Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board, was then called and examined. During his examination he answered many questions which had been asked by the committee during Mr. McIvor's examination.

Ordered,—That the Canadian Wheat Board file with the Clerk of the Committee copies of the various agreements existing between the Elevator Companies and the Board.

Mr. George McIvor was recalled to answer some questions put to Mr. Findlay.

On motion of Mr. Evans the committee adjourned to meet again at 4 p.m.

AFTERNOON SESSION

At 4 p.m. the Committee resumed its session. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Donnelly, Douglas (*Weyburn*), Furniss, Fair, Golding, Henderson, Leger, MacDiarmid, McCuaig, McGarry, Perley, Rennie, Ross (*Souris*), Senn, Soper, Ward, Weir, Wright.—19.

In attendance: Hon. J. A. MacKinnon, Minister of Trade & Commerce and the same officials of the Canadian Wheat Board who were in attendance at this morning's sitting.

Mr. R. C. Findlay was recalled and further examined.
The witness retired.

Mr. McIvor was also called and further examined and retired.

Mr. Perley moved,—

That the Wheat Board produce the clearing sheets for the 120,000,000 of futures to the United Kingdom from May 1 to May 13, 1941.

Passed in the negative: For, 4; against, 14.

Mr. Folliot then explained the method of sale of the 120,000,000 bushels of wheat sold to the British Government.

Moved by Mr. Douglas (*Weyburn*),—

That the Secretary be instructed to get in touch with those firms who have leased government-owned terminal elevators with a view to receiving from them the amount of money received by them from storing grain in these elevators during the two years 1939-40 and 1940-41.

Passed in the negative: For, 5; against, 10.

Mr. D. G. McKenzie, Chairman of the Board of Grain Commissioners, was called and explained to the Committee the relationship between the Grain Board and the lessees of the Terminal Elevators.

Mr. McIvor was again recalled regarding the agreement between the Board and the line Elevator Companies.

Hon. Mr. Crerar, Minister of Mines and Resources attended the sitting and answered questions regarding his visit to Britain in 1939.

The Committee then adjourned to meet again on Tuesday, May 19, at 11.30 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 18, 1942.

The Standing Committee on Agriculture and Colonization met at 11 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order, we will have the clerk of the committee read the minutes of the last meeting.

The clerk read the minutes which, on motion of Mr. Ross, seconded by Mr. Rennie, were duly adopted.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, I notice that in the printed evidence of Thursday, May 14, and having reference to the vote taken, it merely states, "On division the motion was lost." That is a recorded vote. Why is the recorded vote not set down in the evidence?

Mr. DIEFENBAKER: It is at the beginning.

Mr. DOUGLAS (*Weyburn*): It is in the clerk's minutes, but it is not in the record of the evidence.

Mr. ROSS: It is on the first page.

Mr. DOUGLAS (*Weyburn*): Oh, yes. Thank you very much.

The CHAIRMAN: The clerk also has a reply from Mr. Hanson's office with respect to the motion as made by the committee some time ago. Perhaps we should have the clerk read that now.

The CLERK OF THE COMMITTEE: On May 14, 1942, in accordance with your request I wrote the following letter:—

Hon. R. B. HANSON, M.P.,
Leader of the Opposition,
House of Commons,
Ottawa, Canada.

SIR,—I have been instructed by the Standing Committee on Agriculture and Colonization of the House of Commons, now investigating the Reports of the Canadian Wheat Board for the years 1939-40 and 1940-41, to invite you to be present during any of its proceedings.

Yours respectfully,

(Sgd.) WALTER HILL,
Clerk of the Committee.

Within an hour or two I received the following letter from Mr. Hanson's office:—

WALTER HILL, Esquire,
Clerk of the Standing Committee on Agriculture and Colonization,
Committees Branch,
House of Commons,
Ottawa.

DEAR SIR,—I am directed by the Honourable R. B. Hanson to acknowledge with thanks receipt of your letter of even date which reads as follows:—

I have been instructed by the Standing Committee on Agriculture and Colonization of the House of Commons, now investigating the Reports of the Canadian Wheat Board for the years 1939-40 and 1940-41, to invite you to be present during any of its proceedings.

Yours faithfully,

(Sgd.) R. A. BELL,

Private Secretary.

The CHAIRMAN: A question arose the other day with respect to the attitude of the British Ministry of Food with regard to keeping open the Grain Exchange. I think Mr. MacKinnon has some further information with respect to that matter. Does the committee wish to have that on the record now to keep the record complete in that regard?

Some hon. MEMBERS: Yes.

Hon. Mr. MacKINNON: Mr. Chairman, you will remember that last week I read into the record a cablegram from the British Ministry of Food asking for an undertaking that the Winnipeg Grain Exchange futures market would be kept open. I also read part of a cable reiterating that request and stated that there were further documents that I proposed looking through. We had these documents brought here from Winnipeg, but there was not much new or anything new, as a matter of fact, that was not contained in the original telegram I had quoted, although there are several references to the fact that the futures market be kept open. It occurred to the members of the wheat board and myself that it might be a good idea to bring this matter up to date, so we decided to cable to our representative there to make inquiries. We despatched the following cablegram:—

Ottawa, May 15, 1942.

Biddulph
Mansaskalb
London

Agricultural Committee of House of Commons in session here now and Minister of Trade and Commerce read into record your cable of July twenty-third, nineteen forty, to me expressing Cereals desire that Winnipeg futures market be kept open Stop Some members of committee questioned whether this expresses present view of Imported Cereals Division Ministry Food and minister requests that you ask them to cable me the present official view of Ministry Food regarding Winnipeg futures market Stop Would appreciate reply by Monday morning eighteenth May

McIVOR

We received the following reply on the 16th:—

GEORGE McIVOR
Chateau Laurier
Ottawa

Answering yours fifteenth Ministry Food official reply follows, quote Reference Biddulph's request from your minister would say that the Imported Cereals Division of the Ministry Food are of the same precise opinion as that expressed in our cable of twenty-third July nineteen forty. In fact our experience of the last two years more than confirms our original view. Signed on behalf of the committee, A. Hooker, Deputy Director Imported Cereals Division

UNQUOTE
MANSASKALB

That, Mr. Chairman, brings up to date the record in this regard.

Mr. PERLEY: Mr. Chairman, may I just state here that as far as I was concerned I was interested in what had taken place before the 23rd of July, 1940. It has always been in my mind that at the very outbreak of the war was when the main suggestion came from the British authorities to close the Grain Exchange. I would ask the minister whether he can bring down anything or all the correspondence or cables or records prior to the 23rd of July, 1940. That would be in Mr. Euler's time.

Hon. Mr. MACKINNON: Mr. Chairman, I am under the impression that I directed that these records be sought after and that there are no such records of such a request. I am not positive about that and I will be very glad to look it up.

Mr. PERLEY: There is another matter to which I would refer. Two of our ministers went overseas prior to the 23rd of July, 1940, Mr. Crerar and Mr. Gardiner. I think both of them would have some interesting information that might be given with respect to what was desired over there and particularly with respect to the price that was offered for our wheat for the duration of the war. I wonder if Mr. Gardiner, who is a member of this committee, later on might make a statement or agree to be questioned with respect to what took place over there at that time. The same could be done with Mr. Crerar. I think they carried on the negotiations with respect to the prices of wheat and bacon and all that. No doubt agreements were discussed and possibly we can get some information prior to the 23rd of July from either one of these gentlemen if they would care to allow themselves to be questioned.

Hon. Mr. MACKINNON: I will be glad to undertake to do just what you have said.

The CHAIRMAN: Shall we allow that matter to stand? We might save time if we did.

Mr. McIvor is still before the committee. If there is any further question which the committee wishes to direct to him I suppose it is in order to proceed to do so. Now, I think perhaps the committee would like to get at the other phases of the inquiry as early as possible. Are there any further questions to be asked Mr. McIvor?

By Mr. Wright:

Q. You stated that it was very hard for the Wheat Board to determine the spread between the different grades that are sold?—A. Yes, sir.

Q. Who finally sets these spreads, and how are they set?

The CHAIRMAN: Mr. Wright, might I just interrupt here: I think we are going to deal with that when we come to deal with the elevator spreads. Will that be satisfactory?

Mr. WRIGHT: I suppose it would.

The CHAIRMAN: As I understand it that comes under the agreement made with the elevators to handle board wheat.

Mr. WRIGHT: I see.

Mr. PERLEY: Mr. Wright is dealing with the spreads in the grades, not the spreads in the futures.

By Mr. Wright:

Q. The Cereal Import Board, I suppose, would be the people who would decide what they would pay between the different grades?—A. On the amount of wheat that they would buy.

Q. Yes; and on what would be the spread between the grades on the market at the present time?—A. The spreads are established by the demand in the various grades relative to the higher grades.

Q. At least their demand would establish the spreads between the three high grades; would it not?—A. Plus whatever other demand there would be for the other grades relative to the No. 1 Northern, yes.

The CHAIRMAN: Can we leave that and deal with it under the agreement with the elevator companies for handling board wheat?

Mr. WRIGHT: That is satisfactory.

The CHAIRMAN: Are there any other questions?

Mr. DIEFENBAKER: Would it be possible, Mr. Chairman, after we have heard from the Treasurer and the Custodian of Documents for us to recall Mr. McIvor?

The CHAIRMAN: Quite so; the board will all be here.

Mr. DIEFENBAKER: There is just one question I wanted to ask.

By Mr. Diefenbaker:

Q. The Cereal Import Board is a member of the Winnipeg Grain Exchange, is it not?—A. No, they are not.

Q. Is there anyone representing them in Winnipeg on that Grain Exchange?—A. No.

By Mr. Douglas (Weyburn):

Q. What official of the board will deal with this Order in Council P.C. 1803?—A. Mr. Findlay and I will deal with it.

Q. At some later date?—A. Yes.

Mr. McIVOR: There is just one question that was asked by Mr. Diefenbaker respecting the possibility of payments on the participation certificates on the 1939 and 1940 crops; the answer is, it is quite apparent from the figures given in the annual reports for 1939-1940 and 1940-1941 that if all the wheat of these crops could be sold at the present market price there would be no payments possible on the 1939-1940 crops.

Hon. Mr. MacKINNON: The Hon. Mr. Gardiner is here now and he has said that he would be very glad to speak on the matter which was brought up just a moment ago.

The CHAIRMAN: Would you like to direct your question to Mr. Gardiner while he is here, Mr. Perley.

Mr. PERLEY: Yes, I would.

Honourable J. G. GARDINER, Minister of Agriculture, called:

By Mr. Perley:

Q. Mr. Gardiner, before you came in, Mr. MacKinnon, Minister of Trade and Commerce, read into the record a cable received from Britain dated the 16th of May, I think. It was in reply to one from Mr. McIvor asking with respect to their position over there and whether or not they were of the same opinion with respect to the Grain Exchange remaining open and the situation remaining as it was as of July, 1940. Some reference was made to the fact that you had been over there, and it was intimated that you would be able to give the committee some information as to the discussions which you had with the officials over there during the spring or winter of 1940, whenever it was.—A. It was in October of 1940 that I was there.

Q. Would that be prior to July 23rd?—A. No, it would be after July 23rd, 1940. I had to go there about the beginning of October and was there, got there on the 2nd of November.

Q. Well, I thought maybe you would like to give the committee some information with respect to the discussion you had *re* prices of grain and prices of bacon at the time when you discussed that. Just generally could you give

us some information as to what happened in your discussion with respect to grain and the price of wheat that they were willing to pay for that period?—A. Well, I did state to the house when I came back in November of 1940, the facts with regard to the matter, not dealing with this particular question specifically. I stated that I went over there for the purpose of discussing the agreements that were to be made in connection with the sending over of foods that Britain required; now, that included bacon, cheese, eggs and all other commodities of that kind. And I stated to the house that I had no authority, or that no authority was given me, to negotiate any deal in connection with wheat; but that I was asked to discuss the wheat position with the Cereal board, and I did that. The two men with whom I discussed the matter on a number of occasions were Mr. James Rank and Mr. Hooker. Mr. James Rank is chairman of the Cereals board, which is a board set up by the Food ministry; and Mr. Hooker is the vice-chairman. They were the two men with whom I discussed it particularly; and this particular question was discussed at a dinner that I invited them to in the room at the hotel, and we discussed it at some considerable length. They took the position that they did not wish to have the Grain Exchange closed. I argued in favour of closing it with the object of getting their viewpoint with regard to it, but knowing fully why they did not wish it closed. They were very decided in their views. I tried to take the position that it might be in order to avoid prices here being affected by the fact that it was not open, as compared with the price that might exist on the Chicago exchange; but they took the position that that was not their reason at all, that it was easier for them to carry on their transactions in connection with wheat with the exchange open than it would be with it closed, and that they desired to have it open. Now, that is the substance of the conversation.

Q. Was there any discussion about prices?—A. Oh, yes, I discussed prices very fully with them.

By Mr. Ross:

Q. I don't suppose they explained the reasons for the closing of their own exchange?—A. Of course, Mr. Hooker was one of the big officials of their own exchange, and they did discuss that. I discussed it with them; but what they were most concerned about was the matter of dealing with the grain as between Winnipeg and the Atlantic coast from which shipment is made; and they argued that it was much easier for them to handle the grain and much more satisfactory to have it done as it is. As a matter of fact, I suggested ways and means of doing what they decided to have done through the exchange otherwise than by having the exchange open; but still they persisted that they wished to have it open.

By Mr. Donnelly:

Q. Did you ever at any time make any statement after you came back that the exchange was going to be closed?—A. No.

Q. I was told on the platform there by one of the pool officials that you had definitely made the statement that the Grain Exchange was going to be closed; is that so?—A. No, I never at any time made any such statement.

Q. And that Mr. Crerar when he came back said substantially the same thing; the inference given was that Mr. Crerar was the one who really was going to have it closed.—A. The Hon. Mr. Crerar was over there the year before I was.

Q. I understood the Hon. Mr. Crerar was there after you were?—A. No, no; Mr. Crerar was there in the fall of 1939 right after the war was declared, as a matter of fact.

Q. Then, they were wrong on both occasions. Mr. Sproule made the statement on the platform with me that you went over there and came back and

said you were going to close the exchange; and someone else made the statement at the same time that Mr. Crerar went over there and came back and said that the government wasn't going to close it at all?—A. Mr. Crerar was over there in the fall of 1939, and he had I think exactly the same experience as I had myself in discussing it with them, and he came back and made much the same report. As I say, Mr. Crerar was over there the year previous to the time I was over; and when he came back he made much the same report as I made myself when I came back.

Mr. DONNELLY: I was dealing with this statement that was made on the platform when I was there.

By Mr. Perley:

Q. Did you meet the British Minister of Food?—A. Yes, I met him every day I was there.

Q. Was there any discussion with him about the price of wheat as compared with the price of bacon, or any suggestion that if you would ease up on your demand for a better price for bacon they would give us a better price for wheat?—A. No. The general impression was that they were giving as much for our wheat as they ought to give, and it was always related to what they were paying for wheat elsewhere.

By Mr. Fair:

Q. What is the position of Mr. Rank?—A. He is the head of the Rank Milling Organization in Great Britain; Spillers, Ranks and the Co-operatives, handle most of the wheat business in Britain.

Mr. McIVOR: Rank is the general manager.

By Mr. Fair:

Q. Who is Mr. Hooker?—A. Mr. Hooker?

Mr. McIVOR: Mr. Hooker is the managing director of Pim and Company, one of the largest grain companies in England. The Cereals Import Committee is composed of all branches of the trade including the Co-operatives.

The WITNESS: Yes, that is quite right. Mr. Rank is the chairman.

Mr. PERLEY: They have no representatives in Canada at all.

By Mr. Douglas:

Q. I would like to ask you, Mr. Gardiner, did the British officials intimate that if the government persisted in closing the Exchange it would affect their purchases of wheat from Canada?—A. No; they do not discuss matters in that way. They are traders and simply sit and discuss the matter from the point of view of their own needs and where they can get supplies from. I would say they dealt with us very favourably as compared with what they might have had to pay had they purchased elsewhere.

Q. That is partly in their own interests because it is easier to get the wheat from here, the distance being shorter?—A. As a matter of fact, it was a matter of meeting them, and nothing else. They simply said: "This is all we can do."

Q. I have reference to the closing of the open market. They never intimated that they would refuse to buy our wheat if the open market were closed?—A. No; they did not say that. I do not know whether they would give us the same consideration in the matter of price if it were closed.

By Mr. Wright:

Q. In other words, they did not take into consideration the welfare of the people who are producing the wheat when they are buying it? They simply take into consideration the fact that they can buy it elsewhere cheaper?—A. No; they said they were paying us much more than they would have to pay elsewhere, and I can verify that up to a point. They take the position: "We

are giving you so much more than we would have to give anybody else, and we are giving it to you because we are fighting together and are prepared to go much further with Canada."

By Mr. Donnelly:

Q. Do not you think we should comply with the wishes of our only customers?

Mr. PERLEY: Not our only customer.

The WITNESS: I do not think you need answers to some of the other questions if you think the whole thing through. Britain is dealing with us very favourably as compared with what she could get wheat for from some other countries, and she has to be a little careful in that, the same as any other country would have to be. They have asked us not to insist on too much information.

By Mr. Donnelly:

Q. Would you mind naming certain other countries she could get wheat from?—A. Argentina.

Q. And the United States. (No response.)

By Mr. Senn:

Q. If it is true that they have given us consideration in the matter of wheat, it had no bearing on the price obtained for bacon, for example?—A. Yes, it did have some bearing on the price. Take cheese, for example, which is a better illustration: as I reported to the House when I came back, we asked Britain to increase the price on cheese. She then was paying us 14 cents, and she said: "The only price we can pay you on cheese is a price that compares favourably with what we are paying New Zealand. We will go back and figure the last cent we can give you, and still be fair to New Zealand"; and they figured it out at 14.04 cents per pound and gave us another .04 cents per pound at Montreal, and would not go a nickel beyond that because they said it would not be fair to the other people they were dealing with if they gave us any more. And we added 1½ cents ourselves to bring it up to 16 cents. Britain did give us more than she would have been compelled to pay others.

Q. If you did get more for wheat than England would pay to other countries, that did not influence the price you got for bacon?—A. No. There's really no relationship between the two at all.

Q. You did not make any concessions in the price of bacon because of the higher price you received for wheat?—A. No; the bacon price of 1940 as against 1939 was based upon the price of feed grain. That is, when we went over in 1939 we represented to them that feed grains would likely go up during the year 1939-40. They did not. When we went back in 1940 they said: "Well, your costs of production did not go up to the extent you thought they were going to. We could have bought bacon at a lower price in the United States during all that time." And they insisted on a lower price for the 1940 bacon just on its own merits and not on anything else at all.

The CHAIRMAN: Perhaps bacon is not wheat, but it is an interesting sideline and is part and parcel, no doubt, of the whole thing. Mr. Perley, you had a question you desired to ask the witness?

By Mr. Perley:

Q. There is one respected representative of the British Board in Winnipeg. Apparently they have no direct representative, but they deal with the board and the board knows what is going on with regard to orders for flour, wheat, and so on. Therefore is not the board working in a dual capacity?

Mr. McIVOR: No, sir; we are not.

Mr. DIEFENBAKER: In view of the fact that Mr. McIvor has now answered my question in regard to the probability of the farmer getting a further return

on his participation certificates for the 1930-40 crops,—I would like Mr. McIvor to give us a breakdown of the indicated saving of \$10,236,530 between October 1938 and July 1942. I would like a statement showing how that amount is made up by years, showing what was the saving attributable to the year 1938-39, 1939-40, 1940-41 and 1941-42.

Mr. DONNELLY: By dealing in futures?

Mr. DIEFENBAKER: Yes.

Mr. DONNELLY: We had better wait until that appendix arrives, when you will see it all plainly marked out.

Mr. DIEFENBAKER: It is only a matter of four years, and Mr. McIvor can give it to us.

The CHAIRMAN: That calculation will be made later.

By Mr. Perley:

Q. At the last meeting there was a question about the exporters, and you made the statement, Mr. McIvor, that the Reliance and Richardson firms had done most of the exporting. Can you give us the figures as to the comparative amount of exporting done by the seven Canadian firms?—A. I have not that information, Mr. Perley.

By the Chairman:

Q. Can we get it, Mr. McIvor?—A. It is not available from our records.

By Mr. Perley:

Q. Mr. McIvor, your records would show how much wheat or futures you delivered to those firms under the direction of the Cereals Import Committee? Your offers are accepted and you get direction to deliver so much to those different firms?—A. I think we could get that information up to the 31st July, 1941.

Q. That is as far as I want it. You can get the division in that way?—A. I want to point out that the committee are asking for information with respect to dealings between Canadian exporters and the Cereals Import Committee.

Q. Of course, under the direction of the Cereals Import Committee you deliver the wheat to the exporters, or the futures?—A. We turn over the futures.

Q. I want that breakdown, and the amount you delivered to each one of these seven firms?—A. I think we can get that for you.

Q. You mean, Mr. McIvor, that the amount of export business these different firms might do would be determined by their negotiations with the Cereals Import Committee and not necessarily through anything you would have to do with it?—A. Yes.

Q. Under the direction of the Cereals Import Committee you deliver the futures to them?—A. Yes.

Q. So the board knows the whole story?—A. I am pointing out that that is what you are asking for.

Q. Is that not the complete story?—A. No.

Q. Is there somebody else, then, representing the Cereals Import Committee?—A. No.

Q. Then why is it not the complete story?—A. It is possible that the exporters may be doing business and buying futures in the market for countries other than the United Kingdom.

Q. You would not have anything to do with that?—A. No.

Q. As far as your board is concerned how much did you deliver to the seven firms?—A. I think we can get that information.

Mr. PERLEY: It will be satisfactory if that information is available when Mr. McIvor is on the stand again. I would like to say I have not quite concluded because I desire to read into the records some of the evidence taken by the Turgeon Commission with respect to the stand taken by the British

importing firms, and other large firms over there with respect to the closing of the Winnipeg Grain Exchange in peacetime, before the war broke out, the extent they used the Exchange for hedging purposes or dealings in futures, and what effect it would have on the producers in Canada if the Winnipeg Grain Exchange were to close. Now, I do not know whether it is necessary to do it at this stage, but when Mr. McIvor is on the stand again before we conclude I propose to point out that there was evidence taken by the Turgeon Commission when they were overseas to the effect that certain importers and grain dealers over there did not think it was necessary to carry on the Exchange. I think it would be more so at the present time. They closed their Exchange and this war is on.

Mr. Ross (*Moose Jaw*): Did they give any evidence as to whether the exporters should be cut out too?

Mr. PERLEY: There was evidence taken with respect to that.

Mr. Ross (*Moose Jaw*): And the importers?

Mr. PERLEY: Certain witnesses over there said they had used the Exchange and that it was of some advantage, but the majority of the witnesses heard over there stated, I think, that it would not affect the producers in Canada to any extent, and said as, a matter of fact, that it would be all to the benefit of the producers if it were closed, and as far as they were concerned over there it would be another nuisance out of the way, so to speak, and another market less to watch, and so on. My point is that if that is some of the evidence given with respect to peacetime dealings it ought to apply more so in wartime when the market is closed.

Mr. DONNELLY: Can you give me the reference in Mr. Justice Turgeon's report?

Mr. PERLEY: I can give you the page number of the evidence.

Mr. DONNELLY: Does not Mr. Justice Turgeon refer to it in the report?

Mr. PERLEY: No; he did not refer to that important part of the evidence, as to the effect of closing the Exchange.

Mr. Ross (*Moose Jaw*): He could not have thought it was important.

The CHAIRMAN: Shall we call Mr. Findlay and let Mr. McIvor stand down for the time being? (Agreed).

Mr. R. C. FINDLAY, called

The CHAIRMAN: I introduce to the committee Mr. Findlay, who is Comptroller of the Canadian Wheat Board office in Winnipeg.

By the Chairman:

Q. How long have you been with the Wheat Board? A. Since its inception.

Q. Were you also with the board at the time of Mr. McFarland's chairmanship? A. Yes.

Q. And also at the time of Mr. Murray's chairmanship? A. Yes.

By Mr. Ross (Moose Jaw):

Q. Originally what business were you in? A. Before I joined the Saskatchewan Pool I was in the auditing business.

By Mr. Donnelly:

Q. When did you join the pool? A. 1928 or 1929.

Q. When did you leave the pool? A. When the wheat board commenced operations in 1935.

Q. Were you working for the pool or on the stabilization operations with Mr. John I. McFarland?—A. I worked with the Saskatchewan pool until 1930 when I went to the Canadian Co-Operatives, and I continued there until the

wheat board started; I was all through the period of the stabilization operations.

Q. With Mr. McFarland? A. Yes.

Q. You were working with Mr. McFarland? A. Yes.

Q. On the stabilization board? A. Yes.

Q. Between 1930 and 1935? A. Yes.

Q. And then you went over with Mr. McFarland to the wheat board? A. Yes.

Q. And then with Mr. Murray into the wheat board? A. Yes.

Q. And now you have gone with Mr. McIvor? Yes.

By the Hon. Mr. Gardiner:

Q. Were you actually a member of the board for a while? A. Yes.

The CHAIRMAN: Perhaps Mr. Findlay can commence to give whatever information he has prepared after listening to the discussion which he thinks the committee ought to have, and then he will be available to answer any questions that may arise.

Mr. WRIGHT: Is Mr. Findlay going to give us the details of the agreements with the elevator companies and the board?

The CHAIRMAN: Perhaps Mr. McIvor will give that.

Mr. PERLEY: I think we should have the agreements tabled so that we shall have an opportunity to study them. The reports of the committee's proceedings are a little slow in coming out, and we do not have the opportunity of studying them. I think copies of those agreements with brokers or agents should be tabled.

The CHAIRMAN: Copies are available in Ottawa, I think.

Mr. PERLEY: Will the minister see that they are all tabled?

HON. Mr. MACKINNON: There is no reason why not?

Mr. McIVOR: No.

Mr. PERLEY: Perhaps they could be tabled at the next sitting of the committee.

The CHAIRMAN: The standard agreements made with the different elevator companies are available.

Mr. PERLEY: And also agreements with exporters and the leases between any of these companies and the minister's department.

The CHAIRMAN: Proceed, Mr. Findlay. I think the first question is with regard to the total quantity of wheat delivered by the producers.

By Mr. Perley:

Q. Over what period?—A. From August 1, 1938. I have the figures here by crop years, if you wish them:

1938: 292,360,029-50. That is 30 pounds.

1939: 342,388,146-10.

1940: 395,357,242-50.

The combined total is: 1,030,105,418-50.

By Mr. Douglas (Weyburn):

Q. Would you have at the same time the amount sold in the open market by the producers?—A. Yes.

Q. Please put that alongside of the figures you have given?—A. Net sales of wheat acquired from producers and sold by the board:

1938: 292,360,029-50.

1939: 227,556,576-45.

1940: 141,643,879-35.

The combined total is: 661,560,486-10.

The next question, Mr. Chairman, was with regard to futures exchanged against cash wheat sales. I will give you those figures by crop years:

1938: 277,576,000-00.

1939: 347,081,000-00.

1940: 111,896,000-00.

The combined total is: 736,553,000-00 bushels.

By Mr. Perley:

Q. That is an exchange of futures for the cash wheat?—A. Yes.

Q. Take the year 1938, how many times was that spread into the different months before it was completely disposed of?—A. The 1938 crop——

Q. Give me each year?—A. I could not give it to you by each year. The 1938 crop was not closed out until 1940, I would say, and I am speaking from memory only when I say probably four or five times.

By Mr. Ross (Souris):

Q. That is four or five times all told?—A. Yes, spread, probably moved from one option month to another.

By Mr. Douglas (Weyburn):

Q. Five times in two years?—A. Yes.

Q. On what date was the cash wheat of the 1938 crop disposed of?—A. Some time in July, 1940.

By Mr. Donnelly:

Q. This information is all in your balance sheets?—A. Yes, all the figures are there.

By Mr. Perley:

Q. How about the 1939 crop? How often would it be switched in the different months, and what was the final date of the disposition of the cash grain?—A. We have not completed the 1939 crop yet.

Q. There is some of that wheat on hand?—A. Yes.

Q. How many times have the options been switched in the 1939 crop?—A. Again I have to guess. I would say perhaps seven or eight times.

Q. Why was it switched oftener than the 1938 crop?—A. The marketing period has been longer, to begin with. The 1938 crop was marketed in two years, and the 1939 crop is still open.

Q. And how many times in 1940?—A. Four or five times, I think.

Q. The cash wheat you have on hand at the present time would be in this statement at page 15?—A. Yes.

By Mr. Donnelly:

Q. In carrying the wheat under Mr. McFarland, Mr. Murray and Mr. McIvor, they all used the futures market on the Grain Exchange?—A. Quite so.

Q. Why did they do that?—A. It was considered the desirable thing to do.

Q. Did they think it was cheaper?—A. Yes, quite.

Q. Or just for convenience?—A. Because it was cheaper. I do not think anybody would indulge in spreading operations unless that was the cheaper way to handle the wheat.

Q. Even though you paid the commissions, it was cheaper?—A. Yes.

By Mr. Ross (Souris):

Q. That is, cheaper in comparison with paying the actual storage rates?—A. Yes, the carrying charges.

By Mr. Donnelly:

Q. The storage rates were reduced and still they made money?—A. Yes.

Q. We asked for them to be reduced further? (No response).

By Mr. Diefenbaker:

Q. There has been a recent reduction in carrying charges in the United States?—A. I do not know.

Q. Can you give us the figures in connection with the storage? Do you know what the allowance for storage is in Pacific Coast Terminals?—A. Yes, 1/60th of one cent per bushel to-day.

Q. And in addition to that there is payment of interest to cover the investment of the terminal company during the time it is holding the wheat?—A. If you own wheat that is in storage there you pay interest on the investment of course.

Q. It is $\frac{1}{2}$ cent per bushel for thirty days, which is 1/60th of a cent per day?—A. Yes, plus interest.

Q. What is the rate in the case of the interior elevators? (No response).

The CHAIRMAN: Perhaps those are questions we had better ask the Board of Grain Commissioners?

Mr. DIEFENBAKER: The witness seems to be able to answer.

Q. What do you say?—A. It is the same in the interior elevators, I think.

By Mr. Perley:

Q. 1/45th?—A. No; it is 1/60th.

By Mr. Diefenbaker:

Q. What about the Fort William and Port Arthur terminals?—A. That is 1/45th.

Q. And what about the terminals east of the Great Lakes?—A. That varies; they all have their own tariffs.

Q. Between what amounts would it vary?—A. Substantially the same as in the west.

By Mr. Donnelly:

Q. It would be less during the winter than during the summer?—A. Yes, it varies.

By Mr. Diefenbaker:

Q. Between what ranges?—A. Generally speaking, about 1/45th.

Q. What is the lowest and what is the highest?—A. I do not remember if any go as low as 1/60th or not; I believe they do; they all have their own individual tariffs.

Q. The fact that in a period of four years there has been an alleged saving of \$10,236,530 on the transactions referred to by Mr. McIvor would lead you to believe that the storage fees were too high, would it not?—A. No; I do not think so.

Q. Do you think they are proper?—A. Yes, that is my opinion.

Q. Then how is it there is such a saving if it is not in the storage?—A. The saving comes in spreading your futures, whereby you are able to do it at less than the full carrying cost.

Q. The fact that you are able to save ten million dollars odd indicates, does it not, that storage is too high?—A. No. I may say in a year such as this past year the experience shows that the companies probably made money. Taking it over a period of years I do not know that that would be correct.

Q. You have the records showing the amounts received by the various companies renting elevators from the government?—A. No; I have not.

Q. Who has those records?—A. The Board of Grain Commissioners.

The CHAIRMAN: I hope you will ask your question again of the Board of Grain Commissioners, because it comes under their jurisdiction.

By Mr. Douglas (Weyburn):

Q. The people who take this cash wheat in exchange for future contracts in turn must store this wheat?—A. The people who buy it?

Q. Yes?—A. Yes.

Q. And apparently they can store it for less than is being paid at the present time for storage charges?—A. No; they would have to pay the ordinary tariff rate.

Q. You are not suggesting that they store wheat for less than the regular storage charges and make up the difference themselves?—A. They may, on the theory that half a loaf is better than no bread.

Q. Then they do not pay the whole storage charge?—A. Yes.

Q. They store the wheat for less?—A. As far as I know there is no variation from straight tariff rates.

Q. The people who buy this wheat have to store it?—A. Quite.

Q. They do not carry the wheat for their health, and they must be able to carry this wheat for less than it is carried by the people who are storing wheat for the board or they would not take it, would they? (No response.)

The CHAIRMAN: Is not the point this, that these people are either owners or operators of terminal elevators in which there is a certain amount guaranteed to them provided they can keep their houses filled? And if they cannot do that it is to their advantage to get half a loaf instead of the whole loaf to carry it.

By Mr. Douglas (Weyburn):

Q. They do have to carry that wheat which they buy?—A. Referring to exporters?

Q. Referring to anybody that the board sells cash wheat to?—A. If they carry it they have to pay the full storage rate and interest on their investment.

Q. And your suggestion is that they do it for less than the board would pay if it were carrying the wheat?—A. No; you have to pay the full tariff charges if you carry cash wheat.

By Mr. Wright:

Q. They would have to pay it themselves?—A. In many cases, yes.

By Mr. Douglas (Weyburn):

Q. When they take cash wheat and the spread is less than the storage the recompense they receive is less than the storage would be?—A. Yes.

Q. Therefore they are carrying the wheat for less than storage?—A. Yes.

Q. And yet they are not losing money? (No response.)

Mr. DONNELLY: Some of them are.

By Mr. Douglas (Weyburn):

Q. They would not take delivery of the wheat if they did not have some hope of making something on it?—A. No; they have a reason for taking it, either that they have it sold, or can store it.

By Mr. Donnelly:

Q. Who sets the storage charges?—A. The Board of Grain Commissioners.

Q. And do our wheat board not make arrangements to have the charges set at less than the charges set by the Board of Grain Commissioners?—A. Yes.

Q. But these charges are set by the Board of Grain Commissioners as the maximum charges—A. Yes.

Q. And the wheat board endeavors to have our elevators carry it for less?—

A. Yes, they endeavor to make the most favorable contract they can.

Q. And when they buy these futures in these elevators it is with the idea that they are going to fill their elevators and get something out of carrying the wheat rather than nothing?—A. I would, if I were a terminal elevator company.

By Mr. Douglas (Weyburn):

Q. What percentage of those carrying wheat for the board carry it below the maximum?—A. I do not understand your question. What percentage of them would be willing to carry wheat at less than the tariff rate?

Q. No, what percentage of them do?—A. Practically all of them do at times.

Q. What would they receive for carrying this wheat?—A. Are you dealing with carrying the cash wheat or are you dealing with cash wheat and futures?

Q. I am dealing with cash wheat?—A. Cash wheat alone?

Q. Yes?—A. They would get a 45th of a cent per bushel per day.

Q. They never carry it for less?—A. No.

By Mr. Ross (Souris):

Q. With regard to the saving of \$10,000,000 is there a degree of speculation in that? You do not deal direct with the elevator companies but with the brokers in arranging these spreads?—A. It is done through the brokers.

Q. Is there a degree of speculation in regard to the saving you can make? Is it a gamble?—A. No, and I say that very definitely. You know before you make your spread that you are going to save money, or you do not.

Q. The broker is taking a gamble when he makes that arrangement?—A. I do not think so. It is a straight business proposition.

By Mr. Perley:

Q. The argument is that the board by spreading in this way is passing the buck, and the other fellow carrying the cash grain saves money by getting it into the futures?—A. Yes.

Q. If \$10,000,000 can be made by the board by doing that, why does not the other fellow save the \$10,000,000?—A. Not being the other fellow, I cannot tell you.

Q. \$10,000,000 is quite a good profit. Why is it that you can sell the cash wheat to the other fellow so readily and have him carry the load? While we are on that, I would like to ask this question: there are elevators at Sorel, Quebec, Montreal and Three Rivers, and they have different rates and carrying charges. Who sets those?

The CHAIRMAN: I think that comes under the Board of Grain Commissioners.

By Mr. Perley:

Q. That is the whole thing, they pass the buck. (No response).

Mr. DONNELLY: What are the rates set by Board of Grain Commissioners?

By Mr. Perley:

Q. There are different rates in different terminals?—A. Yes.

Q. Your board has some cash wheat?—A. Yes.

Q. And you do find the rate is a different rate in the different terminal elevators I have mentioned?—A. Yes.

Q. How do eastern terminals arrange the rates with the board?—A. We would pay exactly what the tariff rates are in each case.

By Mr. Douglas (Weyburn):

Q. The maximum?—A. Yes.

By Mr. Perley:

Q. Are there any elevators in Sorel, Montreal and Quebec, with whom you negotiate different rates? It is not the same rate in all of them?—A. No.

Q. Who arranges that?—A. I do not know whether the terminal companies do or not, and I am not sure if it comes under the jurisdiction of the Board of Grain Commissioners.

By Mr. Donnelly:

Q. I think the Board of Grain Commissioners set all the charges in all these terminals?—A. I think they have to approve of them.

By Mr. Perley:

Q. Why should they vary in the eastern terminals?—A. I do not know.

By Mr. Donnelly:

Q. The winter charges are entirely different from the summer charges?—A. (no response).

By Mr. Perley:

Q. As I understand, some of these elevators base their rates on various factors. For instance, one of the considerations would be their harbour dues. The different elevators I have mentioned have harbour dues, and some of the harbour dues are altogether different. For instance, Three Rivers and Sorel are different, and they certainly base their storage charges on such things as that. My point is this: could not the board make special arrangements and effect a saving in the carrying charges from that standpoint alone?—A. They might.

Q. But they do not do it? Is that the point?—A. If they move wheat down east the supposition would be that it is the desirable thing to do.

Q. Can you give us the amount of wheat they have in the eastern terminals at the present time, and how much there is in each terminal?—A. Speaking from memory, I do not think we have any.

Q. It has been shipped out?—A. Shipped out as sold.

Q. Is there very much there in the winter time?—A. Last winter?

Q. Yes.—A. Not much.

Q. Then the board does not use those eastern terminals?—A. Oh, I am sorry. I overlooked the fact that we have wheat stored in Three Rivers and Sarnia.

Q. And of the crops of 1938-1939 and 1939-1940, can you give us the amount we have in those two places?—A. I think it is around 3,000,000 bushels each in Three Rivers and Sarnia.

Mr. DOUGLAS (Weyburn): Was the witness going to make a general statement? If so, I think we should let him make it in order to get the whole picture.

By Mr. Ward:

Q. Are the terminal rates set by the board not maximum rates, and then is there not a degree of competition as between the various terminal elevators, to get the wheat?—A. Yes, the grain trade is a highly competitive business.

Q. And the rates are maximum rates?—A. Yes.

Q. But the board always pays the maximum rate? Any wheat owned by the board and stored by the board would pay the maximum rate?—A. Yes, the tariff rate.

Q. You do not attempt to bid off one group against another and get the lowest possible rate, but you pay the maximum rate?—A. We pay the tariff rate.

By Mr. Douglas (Weyburn):

Q. If the witness wants to make a statement perhaps he should be allowed to do so.

The WITNESS: The next question was with regard to open futures contracts as at July 31, 1941:

1938: Nil.

1939: Long futures, 79,450,300-00.

1940: Open futures sales contracts: (28,833,000-00).

By Mr. Douglas:

Q. That is what you exchanged or what you held?—A. What we held on July 31, 1941. The combined total is long position of 50,617,000-00.

I think the next question has regard to storage charges and interest, and so on. I do not know what breakdown I can give you as to carrying charges except to split them as between storage and interest. For the country carrying charges the figures are:

1938	\$ 6,386,756.14
1939	\$ 10,431,956.70
1940	\$ 18,040,858.30

The combined total is.....\$ 34,849,571.14

By the Chairman:

Q. That is country elevator storage?—A. Yes.

By Mr. Wright:

Q. What proportion of that was interest?—A. The breakdown of that is:—

COMBINED

Storage	Interest
\$27,739,569.41	\$7,120,001.73

By the Chairman:

Q. Is that the interest for the full period?—A. For the entire period from August 1, 1938.

By Mr. Wright:

Q. Mr. Findlay, if the board guaranteed the funds of the line elevator companies, would they not be able to obtain that money from the banks at the 3 per cent at which you obtain your money instead of 4½ per cent as they are paying at the present time?—A. I do not think they can get the money at the same rate of interest. It is always considered an element of risk by the banks with regard to wheat carried in the country. You all know there was quite a lot of trouble with country stocks in the last year or two with mites and one thing and another, and the banks were afraid of that.

Q. Has there been any attempt to get the banks to do that?—A. Every year; that is an annual battle.

Q. But they never agreed to do it?—A. We got the rates reduced.

Q. But has there been any attempt to get the banks to loan the elevator companies money at the same rates at which they loan the board money?—A. We discussed that from time to time, but personally I would be afraid to do so.

The CHAIRMAN: From the board's point of view, you would be afraid?

The WITNESS: Yes.

By Mr. Donnelly:

Q. Would it be a good thing for the board to go throughout the country backing notes?—A. No.

Q. And that is what the board would be doing is it not?—A. Yes. As to terminal storage I will have to give you that by each individual year.

By Mr. Perley:

Q. You are not dealing with any of these exhibits?—A. No; but you will find all the figures in those exhibits:—

1938	\$ 2,271,506.85
1939	8,233,577.35
1940	2,284,729.40

By Mr. Donnelly:

Q. These are terminal storage figures?—A. Yes. The first statements I gave you referred to country storage.

By Mr. Ross (Souris):

Q. How do you get your great variation between the last two years?—
A. In the amounts?

Q. Yes.—A. Variation in the quantities carried.

By Mr. Douglas (Weyburn):

Q. This is wheat owned by the board and stored at the terminal elevators?—
A. Yes.

Q. What rates are paid to the terminal elevators?—A. 1/45th.

Q. Some of these terminal elevators are government elevators that have been leased to companies?—A. I believe so, yes.

Q. Can we get later on the figures of all these different government-owned elevators and the amounts paid to them?—A. To each individual one?

Q. Yes.—A. I don't know.

The CHAIRMAN: Do you mean to separate the amount the wheat board has paid to the government-owned elevator as against what others have paid?

Mr. DOUGLAS (Weyburn): No.

The CHAIRMAN: Or the earnings of the elevators themselves?

Mr. DOUGLAS (Weyburn): No, the amounts paid by the board to the government-owned elevators but leased to private concerns for operation.

By Mr. Ross (Souris):

Q. Can you break down by years for the last two years the amounts you have paid to each of these elevators?—A. Yes, we can. I do not know whether it is a desirable thing to do or not. With regard to the remarks Mr. Douglas has just made, that is an old friend of mine every year. We cannot tell you how much storage each individual terminal makes. Only the terminal companies can tell us that.

Q. You can tell the amount the board pays them all?—A. Yes, with one proviso, that any storage we pay to the Lake Shippers Clearance Association we do not know necessarily to whom it goes.

Q. But as to the actual carrying charge you make the payment direct to the elevator?—A. No; not necessarily.

By Mr. Donnelly:

Q. Take the elevator of the Canadian National at Port Arthur. You might have had a very small amount in carrying charges. Most of it may be carried as futures?—A. Yes.

Q. And you would get a small amount of the income by that elevator?—
A. The storage charges follow the warehouse receipts. That is, if we sell grain to-day and we have, we will say, 15 or 16 days' storage due on it, we allow that to the buyer; he pays it, we do not. The ultimate holder of the warehouse receipts pays the storage.

Q. And after the 15 days, after it comes to you until it is held you have to pay the same amount of storage?—A. Yes.

Q. And after it is held you do not know where it is carried?—A. No.

By Mr. Douglas (Weyburn):

Q. The point is that here are specific amounts of money paid in three years for storage to terminal elevators. Could we not get that broken down at least for a couple of years as to the amount paid to each individual elevator owned by the government?—A. Yes, you can get that; I do not think the figures would be of any value for the reason I have tried to tell you, namely, that the storage follows the warehouse receipt. If I brought a statement I cannot say that the Alberta Pool Terminal got so much of that storage. We did not pay that storage. We allowed it to whoever bought the wheat and they paid it.

By Mr. Perley:

Q. The only information of any value as to the storage on the crop would have to be secured from these firms who store the grain in government elevators or elevators leased to private individuals?—A. I would say if you wanted to know how much storage any particular terminal elevator company made in any one year there is only one place you can get it, and that is from the terminal company; nobody else can give it to you.

By Mr. Douglas (Weyburn):

Q. I think that is information we ought to have. We could secure from each company renting a government-owned terminal elevator a statement of their total storage receipts for these two crop years?

The CHAIRMAN: Perhaps that can be kept in mind.

Mr. DOUGLAS (*Weyburn*): You can make a note of it.

The CHAIRMAN: There may be sufficient information with regard to what you have in mind coming to hand through the inquiry of the Board of Grain Commissioners.

The WITNESS: And the question as to interest: do you want it broken down by banks or in total?

By the Chairman:

Q. Is this interest on grain stored in terminal elevators?—A. Interest on bank advances.

By Mr. Donnelly:

Q. You have given us the cost of carrying wheat if you paid for storage in the country, and you have given us what it costs for storage at the terminals?—A. Yes.

Q. Can you give us what it has cost you for all these hedges so that we can get the whole picture, and what you paid in the way of storage, because hedging is storage?—A. Quite. We have futures but not hedges.

Q. But what has it cost each year to carry it in the way of futures?—A. It varies.

Q. You have not the amount added up for each year, have you?—A. No; but I would say it would run from 6 to 9 cents; it varies with different years.

Q. I want the total amounts: say in one year it has cost \$10,000,000 and in another year \$15,000,000?—A. I understand. If you will look at the statement Exhibit "C" for the 1940 crop you will find an item there: "Transfer of futures to deferred months."

Q. \$26,000,000 odd?—A. That is the total carrying charge. The figure I have reference to is \$196,876.25.

By Mr. Perley:

Q. That is for that year?—A. Yes.

By the Chairman:

Q. Will you state that in terms so that the record will show exactly what it is?—A. Yes, that is the cost of transferring futures from the nearby to the deferred months.

Q. That is the broker's fee?—A. No; that is the market spread between the future months.

Q. That is the loss on the spreading?—A. It is not a loss; it is the cost of transferring the future itself from the October month to the May month.

By Mr. Douglas (Weyburn):

Q. Paying the spread between the two?—A. Yes; and if you had cash wheat instead of the future you would be paying this freight storage and interest.

By Mr. Perley:

Q. I do not think that is very clear. It cost \$196,000 for transferring futures to deferred months. How much grain would be involved in that? How many bushels would be involved in that item?—A. It might be anything.

Q. I beg your pardon?—A. It might be anything. It varies from time to time. I cannot tell you that figure. That would apply for the whole year, for instance—for the crop year.

By Mr. Douglas (Weyburn):

Q. For instance, in Exhibit "C" of the previous year, you will notice there it is \$5,098,000. That is a tremendous difference.—A. Yes.

Q. Do you switch any more futures for the one year than another?—A. I think the explanation for that is largely that a much bigger percentage of the wheat was still back in the country in 1941.

Q. In 1941?—A. Yes.

Q. If I may go back to what I said in the first place that this was for paying the spread between cash wheat when you disposed of it for the future contract, may I ask does that include that cost as well as switching futures from May to October?—A. No. It is merely the difference between one future month and the other.

Q. This does not include the spread you would have to pay off between cash wheat and futures. You would have to pay on that too, would you not?—A. I am afraid I do not understand your question.

Q. When the wheat board takes delivery of wheat at the head of the lakes and disposes of cash wheat, let us say, at 71 cents and takes in exchange future contracts for May wheat at 74 or 75 cents, what would that few cents be? There would be the spread which of course has been paid in lieu of storage and interest?—A. Yes.

Q. What is that charged at? Is that charged up to this item?—A. No. It is right in that item of transfer.

Q. That is what I mean.—A. Yes.

Q. It is to pay for the transfer of cash to futures and from this switch to futures?—A. No. This relates entirely to futures. It has nothing to do with cash wheat—this one item we are discussing at the moment.

By Mr. Wright:

Q. It would be just a switch from futures to July?—A. Yes.

By Mr. Perley:

Q. Let me see if I can follow out Mr. Douglas' idea. Now you have sold cash and bought the May. The next transfer is from the May to the July. Possibly the first transaction might have been from December to May, May to July.—A. Yes.

Q. So the cost of these transfers is what is given. It has nothing to do with the cash wheat at all?—A. Nothing to do with the cash wheat.

Q. Will you break it down? How much might there be between each month, December to May and May to July, following this up? Break down this \$196,000. Just illustrate how it is made up. It has nothing to do with the cash. You have transferred futures, as it says, to deferred months.—A. That is right.

Q. Why is there that cost there other than brokerage fees?—A. No, no. Please do not bring brokerage into it, because it has nothing to do with it.

Q. All right. Give us a breakdown of the \$196,000.—A. There is not any breakdown I can give you more than I have already said. It is the spread, the market spread, between one future month and another, which is the equivalent of the carrying charge.

By Mr. Douglas (Weyburn):

Q. I think Mr. Findlay and I are saying the same thing only he is using technical language and I am a layman and probably not saying the thing properly. But let me follow a bushel of wheat through. The wheat board have a bushel of wheat at the head of the lakes. They dispose of the cash wheat and they take—say they are disposing of it in December and take May futures. The spread between the cash wheat, when they disposed of it, and the May futures would be charged up to this item?—A. No, Mr. Douglas.

Q. All right. Go on, then. Then when May comes they decide to exchange this to say October?—A. Yes.

Q. That would be charged to this item?—A. Yes.

Q. And then in October they decide to switch to December again and that would be charged to this item?—A. That would appear in it.

Q. It is only when you have switching of futures?—A. That is all. Nothing more.

Q. To what item in the financial statement will the transfer from cash wheat to futures be charged up? I have reference to the first transfer that is made when they first dispose of cash wheat and take futures.—A. I think I get your point. If the board make a sale—let us take for illustration our own quantity of wheat to-day and say one million bushels. If the board sell one million bushels of wheat to-day—

By Mr. Perley:

Q. Cash wheat?—A. Cash wheat. And in exchange they take one million bushels of futures, the money for the cash wheat to-day goes into the bank. I mean, we receive payment and we surrender the documents. The futures we actually carry. We will assume, for illustration, that the exchange of futures is to May. That would be the logical future.

Q. Yes?—A. We will carry that future if it is not sold out in the meantime.

Q. But you have your one million bushels of May wheat now.—A. Well, we have exchanged our cash wheat.

Q. All right. You are long a million May.—A. Yes.

Q. At say—give us a figure, just for argument's sake, to carry us along. Shall we say 75 cents?—A. Well, that is fair enough, I think.

Q. Now you have switched it to July.—A. No.

By Mr. Douglas (Weyburn):

Q. Before you switched it, there is the spread between what you received for the cash wheat and your futures. What is that chargeable to? That is the only point I was trying to get. I wanted to find out as to whether or not those transfers are included in this one item.—A. I would like very much to help you, but I am afraid I am a little bogged down in just what it is you are trying to get at. It is two entirely different transactions.

By Mr. Perley:

Q. You have got one million of cash wheat on the 1st of December?—A. Yes.

Q. And you have sold it at 70 cents, say, for argument's sake.—A. Quite.

Q. And you buy December. No, you sold May cash at 70 and you have—
—A. Bought May futures.

Q. You bought May. No, this wheat maybe you have got along in September. However, coming along, we will take it into the May. You bought May at 75, say. That is quite a wide spread at 75. You got your money for the 70, the cash wheat, and you have got into the May. Now comes along May and you are spreading again. That is, you sell your May and buy July at 77?—A. Yes.

Q. At 77; that is a two-cent spread there. That is the last trading month of that crop year?—A. Yes, until October comes on the board.

Q. In those two years you say it cost you for transferring this to future months \$196,000 for that year's crop, 1940?—A. Yes.

Q. Then the cost there is what? You say, it is the difference between those two options, May and July?—A. Between any two option months.

Q. Of course, if you were on the open market there might be a fluctuation there. You might have to take it in or transfer it on a wider spread than that. It is more or less a speculation, is it not?—A. No.

Q. Once you have sold cash and got into the option, after that you are speculating. That is practically what you are doing.—A. No. I do not like the word "speculation". It is a certainty. You know whether you are going to make money by doing it or not. It is not speculation.

By the Chairman:

Q. If you were not going to make money, you would carry cash wheat.
—A. Yes.

Mr. PERLEY: If the July did not happen to be 77 cents which is the figure we have used for the sake of argument, you might be out of luck.

By the Chairman:

Q. Could you not take wheat back?—A. Then I would say that we would carry cash wheat.

By Mr. Perley:

Q. But you have sold the cash wheat. You have taken the chance. You have done with that, and you have got it into the future.—A. Unfortunately, we always had a lot of cash wheat to carry.

Q. You have sold your cash and taken the futures. You have bought the future. What if somebody delivers the future to you or to the clearing house? You have cleared that trade through the clearing house and you are long in the clearing house 75 million of wheat.—A. Yes?

Q. What if somebody delivered to the clearing house and the clearing house said to you, "Mr. Board, we will deliver that one million bushels to you."—A. It pays us. That is exactly what they would do if we had the oldest futures.

Q. Yes, I understand that. The man that has been long for the longest in the clearing house takes delivery first.—A. Yes.

Q. What if the board is in that position, that you had one million bushels delivered to you?—A. I beg your pardon?

Q. I say if the clearing house called you up and said, "Here, we are going to deliver a million bushels on the 1st day of May", they would have the privilege of doing it?—A. Yes.

Q. You would not be able to switch this. That deal would be through?—A. That deal would be through. We would exchange our futures when we took the cash wheat.

Q. You would sell cash wheat again and buy futures?—A. We might, yes.

Q. It is more or less a gambling game.—A. I do not agree with you, Mr. Perley. I am sorry.

Q. Well, all right.—A. I cannot. I had it out with one committee before, and I guess I have to do it again.

By Mr. Douglas (Weyburn):

Q. I want to ask one more question about this item of futures transfer in the 1939 crop. The cost is \$5,098,655 for such transfer. Would there be any way of finding out how many bushels of wheat would be involved in that and over what period of time?—A. Well, it would be over a period of two years. What the total amount involved would be, do you mean?

Q. The total number of bushels they would handle.—A. Yes. They might be dealing with the same bushel two or three times.

Q. Would there be any way of knowing how many bushels were actually carried for that amount of money, so you could know how much it was costing per bushel to carry that by means of the futures market? A. It would be difficult to establish. I can get for you the total bushelage spread, yes.

Q. To make it simpler I imagine the board itself has worked out what it cost it per bushel to carry it on an average, to carry a bushel of wheat to the futures market instead of carrying cash wheat. Would it have worked that out? A. Yes. I think already I have suggested it would run from 6 to 9 cents.

Q. Can you get the specific amount in any one year? A. I might be able to get that; I do not know that the figure would have any value, but I will be glad to get it for you.

Q. It seems to me it would have a lot of value. It has been constantly said in this committee both by members of the committee and witnesses that it is a lot cheaper to carry through the futures market. The board must know what it costs in the futures market as compared with storing. A. Each time you contemplate making a spread through one future month to another it is a very easy thing; you know exactly what it is going to cost you to carry the cash wheat, 1/45th of a cent per bushel per day plus interest. If you can make a spread in the future month whereby you are going to save, for instance, a cent a bushel, then it is good business to do it.

Q. I think you have said that no attempt at any time has been made to get the elevator companies to carry it for less than 1/45th of a cent a bushel in arriving at what it would cost to carry the futures market? A. Well, in each and every year before the elevator agreement is agreed upon we battle with the elevator companies and try to endeavour to get the best contract we can.

By Mr. Wright:

Q. What percentage of your total crop would you say you carry in the form of futures and what percentage in cash?—A. It varies.

Q. What would be the probable variation? A. It varies considerably. The last two or three years have been abnormal and we have had much heavier country stock, for instance, than we would have had in the 1935 crop.

Q. I mean, what is delivered to you at the head of the lakes. What percentage of that do you carry in futures and what percentage in cash? A. Generally speaking, there would be a bigger percentage of futures than cash.

By Mr. Douglas (Weyburn):

Q. You would not have that in a rough percentage? Would the percentage be something like 60-40? A. It varies so much I would hesitate to give you the figure in percentages. For instance, at July 31st, 1941, 1935 and 1939 crop we had cash wheat of 35,318,000 bushels; we had futures of over 76 million.

By Mr. Donnelly:

Q. You have seen the statement that Mr. McIvor gave us, have you not? A. Yes.

Q. From that statement you can calculate the amount that it has cost us for futures trade entirely and what it has cost us to carry wheat, can you not?
A. Per year?

Q. Yes. A. Yes.

Q. It is just a case of mathematics to figure out what it cost to carry wheat from that table? A. Yes, that is correct.

The CHAIRMAN: Would the members of the committee wish to have anything else? Does the committee wish to have any particulars with respect to this item of interest?

By Mr. Douglas (Weyburn):

Q. This interest will deal with the 3 per cent you pay? A. Yes.

Q. Not the $4\frac{1}{2}$? A. No. I gave you a breakdown of that, in the carrying charges, and that is $4\frac{1}{2}$ per cent.

Q. This is the 3 per cent you pay on the cash wheat which you hold? A. Yes.

Q. If we had the total I think that would be all right.

By the Chairman:

Q. The total by years? A. Do you want it by years or do you want it combined?

Q. You could give it both ways. A. The combined total is \$6,474,093.28.

By Mr. Douglas (Weyburn):

Q. The '38 crop? A. No. That is the total combined. 1938, \$3,097,583.71; 1939, \$2,604,210.03; 1940, \$772,299.54. That is divided over, what we call, the seven lending banks.

The CHAIRMAN: Are there any further questions?

By Mr. Douglas (Weyburn):

Q. This is paid by the board to the banks for money advanced to purchase cash wheat at the head of the lakes from the elevator companies? A. Yes, to pay all necessary charges in connection with it.

Q. Has the board made any attempt thus far at all to see whether the Bank of Canada would consider financing this crop, using the services of the lending banks? A. No.

By the Chairman:

Q. That is, the wheat board has not? A. And I doubt very much whether they would consider it.

By Mr. Douglas (Weyburn):

Q. If the Bank of Canada would consider it? A. Yes.

Q. No attempt has been made to find out? A. No.

The CHAIRMAN: Not so far as the wheat board is concerned. Any further questions?

By Mr. Perley:

Q. Mr. Findlay, you are going to continue with the general statement now?
A. I think we dealt with everything pretty much, did we not? I think we have pretty well covered the question.

Q. Will you take Exhibit "A" for a few minutes?—A. Which report?

Q. The 1940; the item of liabilities to agents for wheat purchased from the producer but not yet delivered, \$145,000,000; can you give us a breakdown on that?—A. Yes.

Q. This is the 31st of July, 1941?—A. I cannot give you a breakdown by grades, no. That is the liability which we owe to the elevator companies for wheat which they have purchased from the farmers and paid for.

By the Chairman:

Q. At that date?—A. At that date.

By Mr. Perley:

Q. Well, if you have not paid them they have not delivered the wheat?—A. No, they have not.

Q. Is not that a large amount for a crop year, 31st July, 1941; that is the 1940-1941 crop?—A. It is a very sizable amount. These are the facts, nevertheless; that is what we owe.

By Mr. Evans:

Q. That would be wheat in storage in the country elevators at that date?—A. Yes.

By Mr. Perley:

Q. Isn't that a large amount for the end of a crop year?—A. It is a large amount.

Q. Could you not give us some sort of a breakdown?

By the Chairman:

Q. Why would it be held there and not shipped forward to terminal elevators?—A. That was largely a question of congestion, particularly in that particular crop year.

By Mr. Perley:

Q. That would be the 1940 crop?—A. No, no.

Q. That is a very good volume, it must have been 1939?—A. 1939 and 1940.

Q. And that apparently is all back in the country elevators, as you say; could you give us a breakdown of the amount owing some of these firms, and break it down that way?—A. No, I could not.

Q. Could you say what would go to the Saskatchewan pool, for instance?—A. You mean, to what extent the various companies were interested?

Q. Yes.—A. No, I could not give you that.

The CHAIRMAN: Your question is, Mr. Perley, in effect, how much of this money is being carried by any particular company or companies?

Mr. PERLEY: Yes, sure.

By Mr. Perley:

Q. What interest are you paying; 3 per cent, is it not?—A. Four and a half per cent.

Q. I thought you were getting it at 3 per cent?—A. We are paying 3 per cent on our own borrowings.

Q. I know, and you allow the elevators 4½ per cent?—A. They pay 4½ per cent, yes.

By the Chairman:

Q. The board has the authority to require this grain to be moved out of these country elevators as and when it wants to?—A. Yes.

Q. What is the reason for this large amount being allowed to pile up; was it congestion at the head of the lakes?—A. I would say, definitely; in that particular year it was.

By Mr. Ross (Souris):

Q. We were discussing this brokerage question back a while ago and Mr. McIvor when he was here before us stated that you had been more or less following a pooling policy in operation between the brokers and the exchange, these brokers that were engaged. I presume you as treasurer would issue the cheques to these brokers. Can you say on what basis these cheques are issued, and what you receive to honour as a demand for payment of these cheques to the various brokers? Can you explain that set-up to us now?—A. Yes. We receive a statement once a month from all the brokers in which they charge us for their brokerage fees.

By Mr. Douglas (Weyburn):

Q. And they charge you on the basis of the number of bushels they have handled on behalf of the board?—A. Yes.

Q. Is it purely on the basis of the number of bushels handled?—A. Quite, yes.

Q. And it is on account of services rendered?—A. Yes.

By Mr. Ross (Souris):

Q. You do not issue a cheque until you have the demand from the broker?—A. I am afraid we would be in trouble with the auditors if we did.

Q. I was just asking as to what you actually did?—A. We would not issue a cheque without a statement.

Q. Covering exactly their transactions in futures?—A. Yes.

Q. Why would Mr. McIvor say it was on a pooling basis?—A. Mr. McIvor was explaining about the policy; I am dealing with the method of accounting which is entirely different.

Q. Yes; but I do not see where there is any pooling in connection with your answer; it does not appear in the statement.—A. I am sorry if I gave you that impression. Somebody asked me a definite question as to what system we had for the payment of brokerage.

Q. Yes, I did; and what was the policy. Now, as I think Mr. McIvor said, there was a pooling basis established during the last three years; but I do not see where there is any pooling in connection with your statement which you are giving now?—A. I think I would prefer to have you argue that out with him.

By Mr. Douglas (Weyburn):

Q. Just so we will be clear about this: the broker sends in to you a statement of the actual number of bushels handled or transferred on behalf of the board?—A. Yes.

Q. And you pay that brokerage based exactly on the amount of bushels that they have handled on your behalf?—A. Yes, that is correct.

Mr. DOUGLAS (*Weyburn*): That is plain enough.

The CHAIRMAN: Can we go on with the statement?

By Mr. Ross (Souris):

Q. That is very definite; you have never issued cheques to these brokers without their statements, actually on their futures?—A. I am definite on that point.

By Mr. Perley:

Q. How does this tie up with the idea that no one company was to handle more than 300,000 bushels on any one transaction. That is what Mr. McIvor told us the other day, that no one company with respect to any one transaction will be allowed to handle more than 300,000 bushels?—A. If any one broker handled 300,000 bushel for the board that would reflect itself in this statement at the end of the month and we would pay him accordingly.

By Mr. Ross (Souris):

Q. In your opinion there is no system operating amongst these brokers?—

A. Oh, no, I never suggested any such thing.

Q. I am just asking your opinion on this matter.—A. I am dealing with the actual figures as they are and explaining the position. Mr. McIvor was the man who dealt with policy.

Q. I mean, in so far as you are concerned, you are the man actually responsible for these disbursements as far as you can say—A. For the payments, yes; not for the policy.

Q. I am not asking you about policy, I am asking you about the details.—A. I would not issue a cheque until I was satisfied that that money was due and payable.

The CHAIRMAN: Are there any further questions on this statement?

Mr. PERLEY: There are a number of questions we wanted to ask Mr. Findlay but I was going to suggest that we defer them until Mr. Diefenbaker gets back. We want to go into these financial statements in a little more detail than we have this morning; and also with respect to the export phase of the situation. I do not know whether it was you or he who Mr. McIvor said would give us a breakdown on the export business through the different firms, and as to the amount of futures that have been handled.

Mr. McIVOR: May I deal with that question now?

Mr. DONNELLY: Mr. Chairman, it is one o'clock.

The CHAIRMAN: Let's get Mr. Perley straight here: You have an explanation which you would like to have made on that, Mr. Perley; is that right?

Mr. PERLEY: Yes, but I really would have liked to have had one or two other members of the committee here.

The CHAIRMAN: We want to keep the record complete.

Mr. PERLEY: Mr. Diefenbaker when he went away said he would be back shortly, that he had other questions to which he wanted to get answers.

The CHAIRMAN: All I wanted to do was to get your question clarified and then we will see if we can get an answer to it.

Mr. McIVOR: The question that was asked by Mr. Perley this morning, as I understand it, is that he wants the Wheat Board to give him a list of the futures given out to the various brokers on behalf of the Cereals committee; is that clear?

Mr. PERLEY: Yes, all right, go on.

Mr. McIVOR: These futures are owned by the Cereals committee and the committee instruct us to give up various lots of futures.

Mr. PERLEY: Just a minute, you say these are owned by the Cereals committee?

Mr. McIVOR: They are sold to the Cereals committee by the Wheat Board.

Mr. PERLEY: By the Wheat Board?

Mr. McIVOR: Yes, in the first instance. The Cereals committee instruct us to give up to these various exporters various quantities of futures. You are asking us to give this information, to make available to this committee the information and the instructions of the Cereals committee on the giving up of their futures; that is the question you have asked?

Mr. PERLEY: Yes.

Mr. McIVOR: I do not see that we can do that without taking the matter up with the Cereals committee and obtaining their authority.

Mr. PERLEY: Well then, the Cereals Import Committee must have had representatives in this exchange here to clear these futures?

Mr. McIVOR: No, not at all.

Mr. PERLEY: What is that?

Mr. McIVOR: They send us cables every day.

Mr. PERLEY: You say that they bought futures in the first place; that they bought these futures?

Mr. McIVOR: I said in the first place that these futures were sold to the Cereals committee by the Wheat Board. They are the property of the Cereals committee.

Mr. PERLEY: Yes.

Mr. McIVOR: By daily cables they advised the Wheat Board to give up these futures to the various firms.

Mr. DOUGLAS (*Weyburn*): They clear the futures themselves.

Mr. McIVOR: Yes. I do not feel that we can, without breach of confidence with the Cereals committee, give you their names; not without their permission.

Mr. DOUGLAS (*Weyburn*): And these are not paid in the clearing house at all?

Mr. McIVOR: Oh, yes.

Mr. DOUGLAS (*Weyburn*): You say that you sell to the Cereals Import Committee; sales were made by the board of so many million bushels?

Mr. McIVOR: Yes.

By Mr. Perley:

Q. That is the record in the clearing house. Cleared in whose name?—A. Cleared through the exporters on instructions from the Cereals Import Committee.

Q. But how is the trade cleared. Are the first sale of futures, on that day?—A. It is not cleared that day, but later on when they actually buy the cash wheat.

Q. Then it is just an arrangement?—A. It is not an arrangement, it is a sale.

Q. All futures, trades, have to be cleared in the pit.—A. They are cleared eventually.

Q. Eventually?—A. Yes, when they buy the cash wheat. I made that perfectly clear the other day in answer to Mr. Douglas' question with regard to the disposal of cash wheat. These futures are the property of the Cereals Import Committee; they purchased them.

Q. But they are never cleared?—A. They are cleared eventually.

Q. It is just an adjustment?—A. No; it is a sale, a definite sale.

By Mr. Wright:

Q. An agreement to sell?—A. No; it is a sale.

By Mr. Perley:

Q. It is not done in the pit in the open?—A. It is done direct with the Cereals Import Committee.

Q. In the pit?—A. No; the Cereals Import Committee instruct us to give these futures up when they purchase the cash wheat. You asked to whom are futures given up, and I say they are owned by the Cereals Import Committee who purchased them from the board and told us by cable to give up these futures to the various exporters. You go further, and want to know what exporters these are given up to, and I say, as these futures are owned by the Cereals Import Committee we should ask their permission before we give that information.

Q. I am trying to find out how much export business is done by Richardson, Reliance and the others you have named?—A. I know what you want.

By the Chairman:

Q. You have nothing to do with that?—A. No.

By Mr. Perley:

Q. It is just a matter of agreement to sell so much wheat to the Cereals Import Committee?—A. No; we have made a sale.

Mr. DOUGLAS: I would like to raise the question raised when Mr. Findlay was answering questions. I move that the secretary secure from the government-owned leased elevators a statement of the amounts paid to them by the wheat board for storage in the last two years.

The CLERK: The motion you made before was to this effect:—

That the secretary obtain from firms operating government-owned elevators the amount paid to them by the wheat board for storage in the last two years.

Mr. DOUGLAS: Mr. Wright is suggesting that we should ask them also what they pay the government for the lease of the elevator, or we can secure that information from the minister.

The CHAIRMAN: So far as the agreements with the terminal elevators are concerned we will get that from the Board of Grain Commissioners as to whether or not they may also show the amount of earnings on any particular lot of grain any company may have secured that may be outside of their record.

Mr. DOUGLAS: I want their annual earnings from that particular source.

The CHAIRMAN: If you will hold your motion until we meet again I will ask the Board of Grain Commissioners what information they have on that particular point.

The committee adjourned at 1.04 p.m. to meet again at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4:00 p.m.

The CHAIRMAN: If the committee will come to order, Mr. Findlay is still before you. Has anyone any further questions to ask him?

Mr. WRIGHT: Mr. Findlay was going to give us the agreements with the grain handling firms.

The CHAIRMAN: Mr. McIvor was going to deal with those. I am not sure whether or not they have the copies over here yet. That can come up under the item on the agenda about agreements with elevator companies, I think.

Mr. PERLEY: Has Mr. Findlay any further general statement to make?

The CHAIRMAN: No.

By Mr. Wright:

Q. There is an item in Exhibit "A" of the Report for the crop year 1940-41:—

Advance without interest received from the Department of Finance, Ottawa, and applied on the bank loans of 1938 Crop Account, under the authority of Order in Council P.C. 1678, dated 25th April, 1940, \$52,000,000.00 "

Just what is that?—A. That was a payment of a sum of money advanced to us by the Department of Finance. It was used to pay off a large part of the deficit on the 1938 crop. I may say that since then the balance of the 1938 crop has been paid off.

By Mr. Perley:

Q. Have you given us the complete breakdown on the net surplus of the operation on that statement Exhibit "A": "\$24,809,988.42"?—A. Yes, that was the surplus arising from marketing operations of what we termed the old wheat that was taken over.

Q. \$24,809,000 of a surplus?—A. Yes.

Q. Of which \$8,000,000 was transferred to the Department of Finance?—A. Yes.

Q. Leaving \$16,809,000 and a credit of \$4,902,309.36 to the credit of the board? It was not disbursed at all?—A. No.

Q. That is the last item?—A. No. That is merely the net result of the operations of the old wheat and the 1935 and 1936 crops.

Q. Just before we adjourned we heard the statement of Mr. McIvor. I was going to ask him with respect to the amount of business given to the different export companies?—A. Yes.

Mr. PERLEY: That is Reliance and Richardson. Mr. McIvor said they would not give that statement until they referred the matter to the British authorities. Is that the understanding, Mr. McIvor?

The CHAIRMAN: I think the committee should deal with that as a committee. Would you make a motion as to what you have in mind in that regard.

Mr. PERLEY: I just asked the question as to how much business has been given to Reliance and the different exporters, to break down the business distributed among the exporters.

Q. Is it on a similar basis to what they do with the brokers, or how is it?—A. Well, from what I understood of Mr. McIvor's statement this morning the board has not anything to do with the manner in which these people may do business for the Cereals Import Committee, and so far as they have any jurisdiction as to the allocation of any amount of business these firms may do, it does not come under them.

Q. He can tell us how much wheat they delivered to the Reliance people and Richardson to fill any orders they had from the Cereals Import Committee? (No response.)

The CHAIRMAN: I suppose so. I suppose their records would show it but I question the wisdom of our having the right to disclose business of that character between two other institutions.

Mr. PERLEY: Mr. McIvor said this morning that he was going to see if he could get permission before he gave that information.

Mr. DONNELLY: Does Mr. McIvor give the business to these import brokers or is it the Import Board of England who ask the brokers to get so much wheat for them?

Mr. McIVOR: The Cereals Import Committee instruct us to give up futures against cash wheat purchases. It is entirely in the control of the Import Board.

Q. And you do not have anything more to do with it except to hand it over?—A. No.

Mr. PERLEY: Will Mr. McIvor give us information as to how much he pays over?

Mr. WARD: What does Mr. Perley expect to gain by getting this information? Will it change the aggregate cost in any way?

Mr. PERLEY: Possibly not. It is just to get the information as to how much business our Canadian firms do, and how they get the business.

Mr. DONNELLY: You have a record of how much wheat is shipped to England.

Mr. PERLEY: Can we not get a statement as to how much the different exporters exported from Canada?

The CHAIRMAN: I looked back at the Farm Implement inquiry conducted here and to the statement made by a minister in the House this afternoon, where the policy has been not to disclose business done with individual firms.

Mr. DONNELLY: I do not know that the board has the right to give that information, as to the business done with individual firms. If the Englishmen give that business to a certain broker and ask him to get so much wheat for them, I do not see that we have the right to expose his business deals.

Mr. SENN: He is dealing with a commodity that belongs to the producers.

Mr. PERLEY: It is a matter for the committee to decide.

Mr. ROSS (*Souris*): Following Mr. Donnelly's question, I thought Mr. McIvor said quite definitely that there was a set price for wheat, and now he says during this discussion that he asked the Import Board to handle their futures

Mr. McIVOR: No. May I again explain that, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. McIVOR: The Cereals Import Committee purchase from the exporters their cash wheat. They purchase from those exporters that quote the most favourable prices. They have already prior to these purchases being made purchased round lots of futures from the wheat board. As they purchase their cash wheat, they cable from London to the wheat board requiring us to give the equivalent amount of futures to the various firms from whom they purchased their cash wheat. As I said this morning in my opinion this concerns the Cereals Import Committee and the exporters, and I think it would be highly improper for us to give that information without communicating with the Cereals Import Committee.

Mr. ROSS (*Souris*): They purchase this cash wheat from the exporters, and how do you arrange between the cash price that the board are receiving and the exporters?

Mr. McIVOR: I said the other day that they adjusted the price. If the price happened to be higher we pay them the difference, and if the price is lower they pay us the difference by cable transfer; and the reason for that is that the price is not disclosed by following that method.

By Mr. Senn:

Q. Mr. McIvor, does the Cereals Import Committee pick the exporter they wish to deal with?—A. Yes, they purchase from the lowest seller.

By the Chairman:

Q. Mr. McIvor, the exporter goes after the business?—A. Yes.

By Mr. Perley:

Q. He makes an offer and they accept it. You say the futures are held by the board on account of the Cereals Import Committee?—A. No. Again I say, Mr. Perley, that the futures are sold by the board to the Cereals Import Committee in round lots and they show on the books of the board as a sale to the Cereals Import Committee.

By Mr. Douglas (Weyburn):

Q. Not to the exporter?—A. No. And the Cereals Import Committee when they purchase their cash wheat instruct the board to give these futures up to the exporters on their behalf. And I illustrated that the other day by saying if they sold 100,000,000 bushels in futures and purchased a cargo of 300,000 bushels and instructed us to give up 300,000 of futures, that would reduce their position to 99,700,000 bushels.

By Mr. Senn:

Q. What I do not know about this matter would fill quite a big book, but I would like to know if possible where the exporters get their cash wheat?—A. I gave an explanation of that the other day, too, and made it as clear as I could; but perhaps I did not make it clear enough. The fault may be mine. I said that in the first instance they purchased the cash wheat at Fort William and moved it down to the seaboard and offered it to the Cereals Import Committee f.o.b. the steamer at the seaboard.

Q. They purchase the cash wheat from the board?—A. Yes, or anybody else who may be a seller of cash wheat.

Mr. PERLEY: With regard to that sale of futures which is mentioned, this 120 million bushels for the first thirteen days of May, what you have outlined now is how the Cereals Import Committee of the United Kingdom converted that future into cash wheat, is it not?

Mr. McIVOR: Yes.

Mr. PERLEY: How long did that take?

Mr. McIVOR: That all depends on the amount of cash wheat they brought and the rate they bought it at; probably five or six months.

Mr. PERLEY: And in the meantime there is not any of these trades cleared back through the clearing house, as you said this morning.

Mr. McIVOR: I think I used the words, "They were cleared eventually." They are cleared as they purchase the cash wheat.

Mr. PERLEY: What I want to get at is this. This report says these futures were sold in the first thirteen days of May, and you say they were cleared eventually. Explain to us how you can make a trade in those thirteen days and not clear them the day the trade is made. The clearing house has to balance sales and purchases, does it not?

Mr. McIVOR: Yes.

Mr. PERLEY: You cannot be long or short. How can you make this sale of futures in those thirteen days there and not clear them? You say, "They are cleared eventually"?

Mr. McIVOR: Well, it is not cleared through the clearing house until actually the cash wheat is sold.

Mr. PERLEY: That is just what I was coming at this morning. I said it was just an adjustment.

Mr. McIVOR: It is not an adjustment at all. It is a sale.

Mr. PERLEY: All right. Leave it there. That is fine.

Mr. McIVOR: If a sale of futures to the British government of 120 million bushels at a certain price is an adjustment, then I agree with you. But it is not an adjustment. It is a sale.

Mr. PERLEY: It is an adjustment as far as that is concerned.

Mr. McIVOR: It is a sale to the biggest buyer in the world.

Mr. PERLEY: But these are consummated or cleaned up from time to time. Adjustments are being made. It is just the same as a mutual agreement. They never have cleared that amount on those days.

Mr. McIVOR: That does not make any difference. What is the obvious point there?

Mr. PERLEY: I want to get the position of the clearing house. Will you provide us with the clearing sheets, showing the disposition of this 120 million bushels.

Mr. McIVOR: That is exactly the same thing, only in another way.

Mr. PERLEY: All right. Can we have the clearing sheets produced?

Mr. McIVOR: As I said this morning, this is the business of the Cereal Committee and those exporters from whom they purchased. If your committee wants the wheat board to ask the Cereal Committee to disclose this information, we will have to ask that. But as I say, it is the business of the exporters and the Cereal Import Committee.

Mr. PERLEY: Well, here is a report and it states that in the first thirteen days of May, 1941, you sold 120 million bushels of futures, one of the largest sales ever consummated. Now I should like to have the clearing sheets produced for those sales.

The CHAIRMAN: Are you proposing that as a motion or what, Mr. Perley?

Mr. PERLEY: Yes, sure.

The CHAIRMAN: Would you be good enough to write it out so the committee will have it?

Mr. PERLEY: The reporter has got it.

The CHAIRMAN: You write it out.

Mr. McCUAIG: Will the production of these sheets put any money in the farmers' pockets?

Mr. McIVOR: Frankly, Mr. Chairman, I think that the Cereal Committee will think you have gone a fairly long way. That is my frank opinion. We would have grave doubts about asking for any information that concerned their business in England.

Mr. McCUAIG: I do not think we should embarrass these people unless it is going to be of some benefit to those whom we wish to help. If we are only on a fishing trip, we might as well close up the committee.

Mr. PERLEY: We are not on a fishing trip at all. That has been an insinuation which has been made quite often here. We are only trying to get an explanation of this statement.

The CHAIRMAN: Are you proposing a motion, Mr. Perley?

Mr. PERLEY: I am proposing a motion that the wheat board be asked to produce the clearing sheets for the period of the first thirteen days of May, 1941, for the sales of 120 million bushels.

The CHAIRMAN: Have you got it written out?

Mr. PERLEY: I will have it written out in a minute.

Mr. DONNELLY: May I speak to the motion, Mr. Chairman? Mr. McIvor said that it is going to embarrass the Cereals Import Committee. The British Cereals Import Board is the only customer we have today, practically, for Canadian wheat. It is the only market we have left. Surely we as producers wanting to sell them our wheat should not do anything here that is going to embarrass, interfere with or hurt our market over in England. I think it would be absolutely wrong for this committee to pass any resolution or do anything that would embarrass or interfere in any way with our export of wheat to England. If Mr. McIvor says it is going to embarrass these people or interfere in any way with their trade, I am surely against it one hundred per cent.

Mr. GOLDING: Hear, hear.

Mr. PERLEY: I do not know whether I can get a seconder or not, but this is my motion.

The CHAIRMAN: We will ask the clerk to read Mr. Perley's motion.

The clerk read the motion as follows:

Moved by Mr. Perley that the wheat board produce the clearing sheets for the 120 million of futures to the United Kingdom of May 1st to May 13th, 1941.

The CHAIRMAN: Is there a seconder for that?

The CLERK: It does not need a seconder in committee.

The CHAIRMAN: Very well.

Mr. SENN: I will second that, in any event.

Mr. DOUGLAS (*Weyburn*): You do not need a seconder in committee?

The CLERK: There is no seconder needed in a committee of the house.

The CHAIRMAN: Is there any discussion on the motion, then?

Mr. FOLLIOTT: These clearing sheets from the 1st of May to the 13th of May will not show the sale at all. These futures are cleared, as Mr. McIvor has said, when the cash trade is made. That would sometimes be maybe a month, two months or three months after. Actually what happened when we made that sale of 120 million, we addressed a sales confirmation to the Cereal Board that reads something like this: "We hereby confirm the sale to you of 120 million bushels of Winnipeg wheat futures at——price." That confirmation is signed by the three members of the board. It is sent across to the other side and the Cereal Board returns us a copy of it duly signed by their board. Actually there is a sale in writing of this 120 million bushels. The futures would not be cleared on the date Mr. Perley speaks of at all. They would be cleared some time in the future. So getting those sheets will not help you one iota.

Mr. PERLEY: As I understand it then, this does not mean practically anything at all. It does not mean what it says. It says that they sold 120 million bushels between the 1st and 13th of May. It is not cleared in those days. That is, you do not clear that amount during that period.

Mr. McIVOR: The fact that it was not cleared does not say that it is not a sale. If a contract with the British government, as outlined by Mr. Folliott, is not a sale, then it is not a sale. But it is definitely a sale.

Mr. PERLEY: All I am trying to claim is it is an agreement to sell them so much wheat.

Mr. McIVOR: No. It is a sale. The prices are named and the quantities.

The CHAIRMAN: The committee has a motion before them. Is there any further discussion on the motion? If not, I will ask those in favour to signify by raising their hands. Contrary, if any?

The motion was negatived on a vote of fourteen to four.

The CHAIRMAN: I have to declare the motion lost. There was another motion made by Mr. Douglas. I will ask the clerk to read Mr. Douglas' motion.

The clerk read the motion as follows:

That the secretary be instructed to get in touch with the firms who have leased government-owned terminal elevators with a view to receiving from them the amounts of money received by them for storing grain in those elevators during the two years 1939-40 and 1940-41.

The CHAIRMAN: Is there any discussion on this motion?

Mr. ROSS (*Souris*): Would you mind reading that again?

Mr. DONNELLY: What elevators are these referred to, the one North of Vancouver?

Mr. WRIGHT: All government elevators.

Mr. DONNELLY: Would that be the Prince Rupert elevator; is that rented at the present time?

Mr. DOUGLAS (*Weyburn*): I think there are only three, two at Port Arthur and one on the B.C. coast.

Mr. DONNELLY: I did not think there were two at Port Arthur; there are two there, but one of them is owned by the Canadian National. What information do we expect to get from that?

Mr. WRIGHT: Just exactly what it says, the handling of the farmers' grain.

Mr. DONNELLY: I tell you these elevators are entirely in the hands of the Grain Commission; and our grain commissioners are here. I do not see why we do not get them on the stand and find out something about these elevators before we begin to inquire into them. We have Mr. MacKenzie and the grain commissioners here now. They have charge of this. They set the charges; they control them. There is a man looking after all the internal elevators, Mr. Heatherington. If we want to get Mr. Heatherington we should get him down here, because he has charge of all the internal elevators, the government elevators. If we want information, to write to each one of these people and ask them how much business they have done means nothing at all.

The CHAIRMAN: The Board of Grain Commissioners are here and we expect to have them before the committee. The only point that comes to my mind in considering this motion is what happened in the house to-day when a similar question was asked of one of the ministers with respect to the business done by individual firms. I am thinking of our right to have such information disclosed after what happened in the house. The house apparently endorsed the stand that the minister took with respect to that motion, and I wonder how far this committee can go beyond that. Would the committee wish to have at this stage a statement from a representative of the Board of Grain Commissioners as to their jurisdiction and to what extent they would have information of this character available? Apparently what is sought here is information directly from the firms concerned. I do not know whether it would mean calling representatives of these firms before the committee or not. Would the committee have a statement from the representative of the Board of Grain Commissioners in regard to what position they take with regard to the operating of the terminal elevators? Probably we can clarify this situation before I put this motion.

Mr. Ross (*Souris*): I do not suppose they are in a position to give this information.

Mr. DOUGLAS (*Weyburn*): They can only give information with regard to the amount of grain stored in government-owned elevators. They cannot tell the amount of grain stored in the elevators leased from the government. I asked Mr. Findlay that this morning and he said he could not give it to us. The only people who can give it to us are the firms themselves.

Mr. WARD: Mr. Chairman, this committee has not the power to compel these firms to give us the information we are seeking.

Mr. DONNELLY: Take for example one of those elevators. The owners of those elevators may have a thousand bushels of government wheat, but the rest of the wheat may be their own stored in their own elevators. What right have we to ask them to produce their books to show how much wheat they have stored? I do not think we have any right at all. The same thing applies with regard to the Canadian National Railways. That elevator is rented by the pool. The pool may have 70 or 80 per cent of their own wheat that they bought outright and not government wheat at all. What right have we to ask them for that information? It is absolutely ridiculous to ask them to expose their business that way.

Mr. SENN: I cannot agree with that at all. I remember very distinctly an investigation that took place with regard to the agricultural implement industry. All such information as that was given and given freely.

The CHAIRMAN: It was not given in public where you could identify the firm.

Mr. SENN: I remember also an investigation into the fluid milk situation and all these firms gave all that information.

Mr. DOUGLAS (*Weyburn*): It seems strange it is always ridiculous the moment you want information on what is being done with the people's money. Here you have a situation where at least three—I think that is correct—

government elevators are leased by three private concerns in which they are storing grain. We can find out how much they are paying for the lease of those elevators. We have the right to know in dollars how much is being paid to these firms for storing that wheat here which ultimately comes from the producer. Everything that the consumer pays that does not come back to the producer is something less that the producer is getting for his product. It cannot all come back; freight rates must come out; some charges must come out; but there is growing the feeling there are too many charges in between the producer and the consumer. This committee has the responsibility to investigate what is happening to money that ought to be coming back to the producer.

Mr. DONNELLY: A lot of this wheat in these elevators is not owned by the producers at all; it is owned by the firms themselves. The MacKay people went out to the country and bought this wheat; it is their own; they buy it and put it there and it is their own wheat held there. If you want to know the amount of rent or want to know the reason why we rent them, that is germane to it; but to ask these companies how much wheat you have in there belonging to the government—

Mr. DOUGLAS (*Weyburn*): No, ask them direct how much they receive for storing wheat in the elevators.

The CHAIRMAN: This motion will require the calling of witnesses here, and of course that will have to be decided on later.

Mr. DOUGLAS (*Weyburn*): It is not necessary to call witnesses at all; all you have to do is write them and ask them to file a financial statement; that is all you need.

Mr. SOPER: We have no right to ask these firms about their private business; we have the right to know what they are paying the government for the elevators, but we have no right to know what they are making—

Mr. PERLEY: You have the right to know the earnings of the elevators.

Mr. SENN: Have we not the right to know what they charge the wheat board for storage?

Mr. SOPER: We have no right to inquire into their private business at all.

Mr. PERLEY: I think this is a matter that we are interested in because, as Mr. Turgeon says in his report, all these charges, brokerage charges, commissions, and all, come out of the farmer, the producer, or the consumer, one of the two. We just want to find out what it is costing the consumer and the producer to carry this wheat, that is all. That is the only way you can get it.

Mr. ROSS (*Souris*): The other day we had quite a conversation carried on back and forward between Mr. Donnelly and Mr. McIvor on the chart, and big play has been made across the country on the \$10,500,000 that the wheat board has saved in handling futures. We have tried to chase that thing down further; it has been proved it is a very complicated matter, the matter of storage facilities and so on. People who have bins will probably bid for this thing. It is part of the picture. You will never be able to prove conclusively what the costs are without getting this information. Probably that tremendous saving has been made in futures trading. If we cannot get the information, we might as well quit; we cannot prove the case for the producer.

Mr. DONNELLY: As far as that is concerned, in those spreads that Mr. Ross is talking about, I might say that I have just taken this table I have here of comparative cost prices and I made a computation and I find that it is 1,212,364,000 and that had the board carried them and paid their usual storage they would have been paying something like \$32,404,034. On the other hand, we have turned around and we have sold the futures. They were able to carry out that \$21,461,000 and thereby save \$10,842,000. You can take this and calculate it. They are all there.

Mr. SENN: Is this evidence?

Mr. DONNELLY: It is evidence. You can take the list as it is and make the computation yourself.

Mr. DOUGLAS (*Weyburn*): It does not prove a thing. It only proves you are paying too much storage.

Mr. DONNELLY: No, it does not. That is a matter of argument entirely.

The CHAIRMAN: There is a motion before the committee.

Mr. ROSS (*Souris*): It appears that we want this information on this resolution; it is definite.

Mr. PERLEY: Mr. Donnelly will admit that those futures of one billion are repaid by cash wheat somewhere.

Mr. DONNELLY: It does not mean there is a billion bushels of cash wheat; it may be 400,000,000 or 500,000,000 or 600,000,000 spread from month to month.

Mr. PERLEY: It is all represented by cash wheat somewhere.

Mr. GOLDING: I am much in the position of Mr. Senn because I confess I do not know a great deal about this whole question, but would you mind telling us, Mr. Chairman, now how long these leases last and when they were entered into and by whom they were entered into?

The CHAIRMAN: That information, of course, will be secured from the Board of Grain Commissioners. We will bring them on the stand.

Mr. WARD: Mr. Chairman, I think you made a bright suggestion a few moments ago, that we call the members of the grain board—we have them here in the room—before this motion is put.

Mr. PERLEY: May I ask your opinion on this, Mr. Chairman? If this motion is refused and, as you interpret it it may mean calling witnesses, how far are we going to go, or will we be refused permission to call witnesses from the clearing house and from some of the exporters. Are we going to be refused to call witnesses of that nature from the cash grain men, the elevator men, and these operators of the terminal elevators we are speaking about now?

The CHAIRMAN: That will be the responsibility of the committee; certainly it will not be that of the chairman.

Mr. PERLEY: If we vote this down and that is evidence of what is going to happen in all the other cases, we might as well close up.

Mr. DOUGLAS (*Weyburn*): There is no point in letting the motion stand. It is already recognized that the Board of Grain Commissioners cannot give us any information about the amounts of money paid to these firms, and the only people who can give us the information are these companies; but if it is going to facilitate matters to have the motion stand over I will not raise any objection.

Mr. ROSS (*Souris*): I suggest, Mr. Chairman, that we ask the chairman of the Board of Grain Commissioners who is here now if he can answer this question, and if he cannot there is no use going ahead. If he thinks he can answer it, why let him; if not, I do not see anything gained by it.

The CHAIRMAN: The suggestion was made a moment or two ago that the Board of Grain Commissioners might indicate what information they could give, and if the committee wish to have a statement from representatives of the Board of Grain Commissioners now I shall be glad to bring them forward. If that is agreed by the committee I shall call on the chairman of the Board of Grain Commissioners.

Agreed.

D. G. MACKENZIE, Chairman of the Board of Grain Commissioners for Canada, called.

The CHAIRMAN: Mr. MacKenzie, we are asking you to reply to a request made by this committee with respect to the operation of government-owned terminal elevators.

Mr. DONNELLY: I think Mr. MacKenzie ought to come up here and take the stand.

Mr. Findlay retired.

The WITNESS: Mr. Chairman and gentlemen, I would say that so far as the Board of Grain Commissioners are concerned we are very glad to give any information we can relative to the administration of the Canada Grain Act. Coming to the immediate question as to what we can give you in respect of earnings of terminal houses, perhaps all I can say is that the Board of Grain Commissioners leased one house at the head of the lakes, they operate a terminal house at Churchill and one at Prince Rupert and five interior terminal houses. We can give you all the details of the lease in respect to the house that is leased at the head of the lakes, but we cannot tell you what the income of that company is; we have no way of knowing. We could check it so you might see then what the warehouse receipts are against the stocks or at the time of the weight-over. We would know what grain is in the house; but we cannot tell in any way at all what the earnings of the company are because there is free storage on part of that grain for any number of days up to fifteen, and we would not know the conditions under which the grain came into the house. In respect to the houses that we have under our complete jurisdiction, we are prepared to give you any information you would like as to the earnings of any of those houses; but that, Mr. Chairman, is all the information that I think the Board of Commissioners can give you relative to the operation of elevators.

By the Chairman:

Q. Is there only one government-owned terminal elevator that is leased?—

A. That is all that the Board of Grain Commissioners have. The Canadian National Railways have one at the head of the lakes.

By Mr. Douglas (Weyburn):

Q. That is not handled through the Board of Grain Commissioners?—A. No.

Q. It is handled through the Canadian National Railways?—A. Yes.

Q. That also is government-owned?—A. It is a government-owned house.

Q. How many government-owned houses have you?—A. If you call the Canadian National Railways a government-owned house—

Q. Of course, it is. How many government-owned elevators are there?—

A. Just the one.

Q. Altogether across Canada?—A. Oh, we have, as I said, one at the head of the lakes, one at Prince Rupert and one at Churchill and five interior terminals.

Q. How many of them are leased?—A. Just the one at the head of the lakes.

Q. The one on the coast is not leased at Prince Rupert?—A. No.

By Mr. Donnelly:

Q. Who looks after the Prescott elevator and the Halifax elevator? Whom would those come under?—A. Might I refer that question to Dr. MacGibbon?

Mr. McIVOR: They come under the National Harbour Board.

The WITNESS: The only one we have under our jurisdiction is the one now leased from MacKay Elevators.

By Mr. Donnelly:

Q. Now, you rented the elevator at the head of the lakes at Fort William or Port Arthur from the MacKay Brothers, and you ran it sometimes yourselves.

The CHAIRMAN: Dr. Donnelly, that is coming back to the other question. We might as well ask Mr. MacKenzie one specific question, and we have asked that question and he has answered it.

The WITNESS: I have a brief prepared on that, and it will give you all the information relative to that as soon as we come to it. I did not bring it this afternoon, not anticipating that this matter would be brought before you. When it comes before you we will then give you all the conditions of the lease.

The CHAIRMAN: Now, let us come back to Mr. Douglas' motion. The committee thank you, Mr. MacKenzie.

Mr. MacKenzie retired.

The CHAIRMAN: Does the committee wish to deal with Mr. Douglas' motion now or wait until after they receive the report from the Board of Grain Commissioners?

Mr. DOUGLAS (*Weyburn*): I cannot see any advantage in waiting.

Mr. ROSS (*Souris*): There is nothing to be gained by waiting.

Mr. GOLDING: Let us deal with it after we have received the report.

Mr. ROSS (*Souris*): The Chairman of the Board of Grain Commissioners has definitely told you he cannot give any information such as is asked for in this resolution. Why wait.

The CHAIRMAN: There is one matter involved in this resolution.

Mr. MACKENZIE: Mr. Chairman, may I correct a statement I made a moment ago. I find that I am wrong in respect to the Churchill elevator; the Harbour Commission operate it—the Department of Transport operate the house at Churchill. I want to make that correction so it will appear right on the minute.

The CHAIRMAN: What are we going to do with this motion?

Mr. ROSS (*Souris*): Question.

The CHAIRMAN: The question is called. Are you ready for the motion?

On division the motion was declared lost.

Mr. DOUGLAS (*Weyburn*): I suppose there will be something we will be able to find out before we finally adjourn.

The CHAIRMAN: Now, can we continue with the information we were getting from Mr. Findlay, or do you wish to go on discussing the item, namely, the agreement with elevators for handling board wheat?

Mr. PERLEY: Mr. Chairman, we are jumping around quite a little bit. I would like to ask Mr. McIvor one question. Mr. McIvor, I have here a statement or an item appearing in one of the western papers dated the 16th of April to the effect—it states a despatch from Winnipeg that the wheat board had purchased about 900,000 of May wheat on an adjustment basis.

The CHAIRMAN: What date is that?

Mr. PERLEY: This despatch is April 16th.

The CHAIRMAN: What year?

Mr. PERLEY: 1941—on an adjustment basis.

Mr. McIVOR: Is the date 1941 or 1942?

Mr. PERLEY: 1942—the 16th April, 1942.

Mr. DONNELLY: This has to do with the freezing of the market.

Mr. McIVOR: That is right.

Mr. DONNELLY: That has to do with this P.C. 1802, and we have this to deal with separately. If you want to take this up now and deal with it, well and good, but this is a separate matter entirely—dealing with the freezing of the market.

Mr. PERLEY: I want to know about the words "adjustment basis".

Mr. McIVOR: I do not know what information you have there.

Mr. PERLEY: It is a clipping from a western newspaper.

Mr. McIVOR: I say that if that is correct that that is under Order in Council 1803.

The CHAIRMAN: Now, would the committee be agreeable to go ahead and discuss the elevator agreements?

Mr. DONNELLY: We have Mr. Crerar here. Is there anyone who wishes to ask Mr. Crerar any questions in connection with the arrangement made with the British Import Board with respect to the purchase of wheat in 1939?

The CHAIRMAN: Mr. Perley asked some questions of Mr. Gardiner, and that is how the matter came up.

Hon. Mr. CRERAR: I am not a member of the committee. I am sitting here by courtesy, and I have not the right to speak.

Mr. PERLEY: The question came up this morning about the discussions that took place overseas when Mr. Gardiner was over there and while you were over there, and there was some discussion as to what periods the two ministers were over there. It was finally settled, that you were over prior to Mr. Gardiner—in the late fall, was it, of 1939 or early in the winter of 1940. There was some discussion.

Hon. Mr. CRERAR: I was there about the 29th October, 1939, to the 15th December.

Mr. DONNELLY: That is the last time you were there?

Hon. Mr. CRERAR: Yes, that is the last time I was there.

Mr. PERLEY: Is there any information you could give to the committee with respect to the discussions on the wheat question? No doubt you discussed that with the authorities over there—with respect to the closing of the exchange—or prices?

Hon. Mr. CRERAR: Yes, there was some discussion, but I am not at liberty to tell you what the discussion was.

Mr. PERLEY: I will defer the question.

Hon. Mr. CRERAR: I might refer here to another matter that was mentioned in the house not very long ago, I think, by Mr. Fair, that I had been instrumental in influencing the Foods Ministry or the Cereals Import Board in London to keep the Winnipeg market open.

Mr. PERLEY: Who made that statement?

Hon. Mr. CRERAR: Some statement was made to that effect in the house, I think, by Mr. Fair—that was the inference to be drawn, at any rate. I simply wish to say to the committee that this subject was never mentioned at all; whether or not the Winnipeg Grain Exchange should be kept open was a matter between the wheat board and the Cereals Import Board or the Food Ministry in Britain. I do know that they wanted the market kept open, but I had no discussion with them about that at all.

Mr. DONNELLY: Mr. Crerar, I might say this, that at one of my meetings one of the directors of the pool made the statement that Mr. Gardiner had come back from overseas, and he said he had talked with Mr. Gardiner about the Grain Exchange being closed, and Mr. Gardiner led them to believe the Grain Exchange was going to be closed, and when you came back you said it was going to be kept open and so left the impression you had been instrumental in keeping it open. What do you say?

Hon. Mr. CRERAR: I say they were a little bit out in their chronological order, because Mr. Gardiner was over there the year after I was.

Mr. DONNELLY: I might say that as far as opinions expressed in regard to the opening or closing of the Grain Exchange are concerned, I have here the

report of the Turgeon Royal Grain Inquiry Commission. The same thing came up before, and Mr. Justice Turgeon inquired into this matter and reported on it, and I have here the report. Mr. Perley referred to it earlier this morning. Here are some of the questions and answers put and answered before the Turgeon Commission when it was in England:—

What views are held regarding the effect of the sale of Canadian wheat in the British Isles in case the Winnipeg Futures Market should cease to operate, as has been advocated by some of those who have made submissions to the Commission in Canada.

Answer: the closing of the Winnipeg Futures Market would have a detrimental effect upon the volume of Canadian grain business.

Mr. DOUGLAS (*Weyburn*): Who said it? Who is answering the question.

Mr. DONNELLY: This is the answer given in England.

Mr. PERLEY: By whom?

Mr. DONNELLY: It appears at page 167 of these proceedings.

The CHAIRMAN: I think we are going to continue to argue a good deal on that particular point and it is not really before the committee as to what anybody's opinion might be. The committee is naturally interested in attempting to gather information as to the advisability or otherwise of recommending that the exchange be closed, of course.

Mr. DOUGLAS (*Weyburn*): Particularly in the light of the war situation.

The CHAIRMAN: Yes, but we are not to judge by other people's opinions in that regard, and I think the committee is anxious to get on with what is before it immediately, and the wheat board members are anxious to get through as quickly as possible. If that is agreeable, I would like to recall Mr. McIvor re the agreements with elevator companies for the handling of board grain.

Mr. DOUGLAS (*Weyburn*): What follows that item?

The CHAIRMAN: The basis on which the quotas were arranged.

Mr. DOUGLAS (*Weyburn*): Can we discuss order in council 1803 at some time?

The CHAIRMAN: Yes, later on.

Mr. GEORGE McIVOR, recalled

By the Chairman:

Q. Mr. McIvor, will you discuss the matter of the agreements with the elevator companies to handle board wheat?—A. Yes.

The CHAIRMAN: Copies of those agreements were going to be made available.

Q. Mr. McIvor, explain as to how the agreements are arrived at and how often they are revised, as the basis of starting the discussion?—A. Yes. Mr. Chairman and gentlemen, I have here a document of which I know there are additional copies in Ottawa and I am sorry they are not here for you now, but we have not been able to obtain them. This document is known as a memorandum of agreement between the elevator companies and the wheat board for the handling of board wheat, and when I say "elevator companies" I mean the producers' organizations, that is, the pools and the United Grain Growers and what are known as the line elevator companies. This agreement was first made in the crop year 1935-1936 between the McFarland board and the elevator companies. The agreement was renewed in 1936-1937 at the time of the Murray board; and 1937-1938, of course, was a light crop year and the board did not operate and there was no agreement that year. The agreement

was again renewed in 1938-1939 with the present board, and also in 1939-1940, 1940-1941, and I will deal with the 1941-1942 agreement. It provides for the handling of wheat known as special bin wheat or Class "A" wheat. It provides for storage to grade wheat. It provides for storage of wheat subject to grade and dockage. And it provides for the handling of street wheat.

By Mr. Perley:

Q. May I ask whether the sections are numbered?—A. Yes.

Q. Please see if I have the correct copy of this agreement?—A. This is the agreement, Mr. Perley, if you desire to make sure. On the back it states: "Crop Season 1941-42," and it is dated August 22, 1941. I have an extra copy of the agreement here so I will leave that copy with you.

Now, Mr. Chairman, I do not know whether it is the wish of this committee that I should go through all of these various sections of the agreement, or whether the committee wish to ask questions.

By the Chairman:

Q. I think you should tell the committee what you require the elevator companies to do on your behalf. You may start from there?—A. The situation is simply this, in regard to this agreement: Under Class "A" the elevator companies are required to receive from producers on behalf of the board special bin wheat for which they charge a handling charge of $1\frac{3}{4}$ cents per bushel and a 1 cent service charge, or a total of $2\frac{3}{4}$ cents.

By Mr. Donnelly:

Q. Is the ordinary charge the maximum fixed by the Board of Grain Commissioners?—A. That is the maximum.

Q. That is the maximum charge fixed by the Board of Grain Commissioners?—A. Yes. Then with regard to street wheat the agreement requires the elevator companies to pay on behalf of the Board the prices as set out in Schedule "A" on the back of the agreement. The elevator companies are required to report delivery of this wheat to the board. In the case of Class "A" wheat they report the delivery of the wheat to the board when it reaches the terminal. That is special bin. In the case of street wheat they report the deliveries of wheat as it is received at the country elevators.

By Mr. Perley:

Q. As to Class "A" wheat when it reaches the terminal do they not report to you daily?—A. No, not on the Class "A" wheat, because it has not actually been delivered.

Q. Then they ship out the "A" Class as they desire, and not on instructions from the board?—A. No. They ship that wheat out on the instruction of the farmer.

Q. The farmer can deliver it to the elevator and hold it there a few days, and then he has to decide whether he is going to pay storage there or ship it on?—A. Yes.

Q. And you are not interested in it really until it reaches the terminal?—A. That is quite right; we do not know whether it is actual board wheat or not until it has reached the terminal.

In regard to the street wheat the elevator companies grade this wheat in the usual way, and they issue a cash ticket to the farmers to deliver it for the amount of the load that he has delivered. In addition they give him a participation certificate. The elevator companies are the agents of the board. On the street wheat the margin is set out in the agreement. I will just get the clause here.

Q. Is it section 19?—A. Yes. I will read all those clauses from 18 down because they are important:—

18. For handling wheat in Class "A" the company will be entitled by way of remuneration to the usual elevator handling, storage, service and other charges. In addition, the company, if an advance has been made to the producer, is to have interest at the rate of five and one-half per cent. ($5\frac{1}{2}\%$) per annum. The board will repay the company the Fort William/Port Arthur or Vancouver board fixed price upon delivery by the company to the board of unload documents for wheat forwarded by the company to the board, subject to the provisions contained in paragraph 22 of this agreement.

I will read clause 22 later.

19. The board will pay to the company a carrying charge covering storage and interest on Class "B" wheat in store at country elevators of .02851 of one per cent per bushel per day

That is, as Mr. Findlay explained this morning, $\frac{1}{45}$ th of a cent per bushel per day plus interest at $4\frac{1}{2}$ per cent worked out on a fractional basis per day.

...said carrying charge to commence on the date of mailing or delivery to the board of the regular daily report form reporting this wheat to have been received into the company's elevator, and will continue to pay this carrying charge until three (3) days after the date the wheat is unloaded at terminal points or such other destination as directed by the board, provided that the maximum carrying charge shall not exceed thirteen (13) days from the date of bill of lading. The three (3) day allowance will not apply when mill documents are available for delivery to the board the first or second day after unload. The carrying charges accruing and due to the company will be paid to the company as at the fifteenth and last day of each month within five (5) days of the receipt of a correct statement from the company. The board will pay for such wheat on date of invoice at board fixed price, subject to provisions contained in paragraph 22 of this agreement.

Then Clause 20 reads:

Subject to the regular free storage period, the board will pay the company a storage charge of one-forty-fifth ($\frac{1}{45}$ th) of one cent per bushel per day on wheat stored in terminal elevators at Fort William or Port Arthur, and at Pacific Coast terminals of one-sixtieth ($\frac{1}{60}$ th) of one cent per bushel per day, and will pay accrued storage at the end of the company's fiscal year.

Clause 21 reads:

Subject to the right of the producer to direct that his wheat in in carload lots shall be billed to any terminal elevator selected by him, at board delivery points, which right is admitted by the company, all board wheat of whatever class forwarded to terminal points shall be handled through any terminal elevator the company may desire provided such terminal elevator selected by the company is licensed under the provisions of the Canada Grain Act in the then current year to accept wheat other than wheat belonging to the manager or operator of such elevator. The board shall have the right to direct the shipment or diversion of wheat to interior mills within the western inspection division,

Churchill, Prince Rupert, or to points other than terminal points within/Canada or the United States, and to interior government terminal elevators. If the board does direct shipment or diversion to interior mills within the western inspection division, to Churchill, Prince Rupert or to interior government terminal elevators, it shall pay to the company the following diversion charges:—

- (a) On wheat shipped or diverted to interior mills one cent (1) per bushel on grades Number One Hard, Numbers One, Two and Three Northern, and one and one-half cents ($1\frac{1}{2}$) per bushel on Number Four Wheat and all other grades, including Garnets, Durums and Red Winters, with an additional one-half cent ($\frac{1}{2}$) per bushel on all grades of tough wheat, in accordance with arrangements between the companies and the mills.
- (b) On all wheat shipped or diverted to Churchill and Prince Rupert one cent (1) per bushel.
- (c) On wheat shipped or diverted to interior government terminal elevators one cent (1c.) per bushel on all tough and damp grades; one cent (1c.) per bushel on all wheat carrying sufficient dockage to incur cleaning charges; one cent (1c.) per bushel on all wheat that is not later forwarded to terminal elevators at Fort William, Port Arthur, Vancouver or New Westminster, provided that a premium has not already been paid as herein set forth. (It is understood that the premiums to be paid in respect of Clause (c) shall not exceed one cent (1c.) per bushel on any or all wheat so ordered shipped or diverted to these interior terminals). If Stocks are not reshipped by July 31st, 1942, the agreement in effect shall remain in force until reshipment is made. The Company shall be entitled to control the destination of a proportionate share of so much of the wheat shipped and diverted at the request of the board by the company and others to an interior government elevator as is subsequently forwarded to terminal elevators at Fort William, Port Arthur, Vancouver or New Westminster. Such share shall be the percentage arrived at by dividing the number of bushels shipped and diverted by the company at the request of the board to such interior government elevator, by the total number of bushels shipped and diverted at the request of the board to such interior elevator.
- (d) Unless otherwise provided for, in the case of wheat being shipped to a destination where Canadian government weights are not applicable, the shipping weights shall be final and an affidavit of such shipping weights shall be furnished upon request."

22. If the board requires shipment to be made to a terminal point or elsewhere where the freight rate is greater than the rate taken care of in the price set out in schedule "A", the board will reimburse the company for any difference in freight rates. In the event of the freight rate being less than the rate taken care of in the price set out in schedule "A", the company will reimburse the board for any difference, basis gross weights in each case.

23. If the board during the crop year changes the basic price or the spreads between grades as set out in schedule "A", the board will accept delivery from the company of all street wheat received by the company at the price and spreads on which the Company has based its cash payment.

24. If at any time it needs space in its elevators, the company, upon giving forty-eight (48) hours' written notice to the board and the producer, shall have the right to ship forward to terminal points any wheat mentioned in class "A" and to demand that the producer shall secure car or cars according to his turn on the car order book at the company's discretion.

25. In order to facilitate immediate payment or advance to producers in respect of their wheat delivered to and received by the company and designated for the board, the company may borrow from its bank on the security of wheat of classes "A" and "B" so received by the company and may give security on such wheat in accordance with the bank's usual requirements, such security in respect of such wheat to be effective only to the extent of the advances actually made in respect of such wheat not exceeding board prices therefor as fixed by or under the Act and now set out in the carlot and street price list in schedule "A" to this agreement, and subject to Section 30 hereof, plus transportation charges actually paid out and other charges and allowances authorized by the board; and the company shall be and is deemed and declared to be the owner of such wheat for all such purposes and to such extent, and in case of default by the company the bank shall sell or dispose of such wheat to the board only, and the board agrees to take delivery on the terms of this agreement from the bank in lieu of the company, and to pay to the bank the board's fixed carlot prices for such classes and grades of wheat delivered at Fort William, Port Arthur or Vancouver or such other delivery point as may be authorized by the board, plus charges and allowances authorized by the board, and the security shall thereupon cease and the board shall have clear title to such wheat. Such payment shall be a complete fulfilment of the board's obligations to the company in respect thereof as if such payment were made to the company."

MR. PERLEY: I was going to suggest that we have copies of the one you are reading from. We will have to study it. We cannot question you now.

THE WITNESS: That is quite all right.

MR. PERLEY: It would be better to have that and let us study it.

THE WITNESS: It is a very involved document.

MR. PERLEY: We cannot question you right now after your reading this.

THE WITNESS: It is quite all right, whatever the decision of the committee is.

By the Chairman:

Q. Could you tell the committee just how these agreements are arrived at and what changes have been made in them since the first agreement was drawn up?—A. Yes, Mr. Chairman. The agreements are arrived at at a meeting held with the elevator companies once a year; and when I say the "elevator companies", I mean the pools, the United Grain Growers and the representatives of the line elevator companies. They meet us as one body—as one committee, I should say. The chief changes that have been made in the agreement since 1935-36 are as follows. Probably the most important change is the street spread. Under the agreement in 1935-36—

By Mr. Perley:

Q. What section is that?—A. Section 7, clause (d). I should like to read the clause (d).

By Mr. Donnelly:

Q. You are reading from what?—A. 1935-36.

Q. All right.—A. Clause (d) reads as follows:—

(d) The prices shown in Schedule A are the prices fixed by the Board and approved by the Governor in Council and have been arrived at after deducting the Vancouver or Fort William freight charges, whichever rate is the more advantageous to the producer and after deducting a sum not to exceed four and one-half cents per bushel on One Hard,

One Northern, Two Northern and Three Northern spring wheat, One C.W. and Two C.W. Garnet and numbers One, Two and Three Durum, including the toughs or damp of these grades; five and one-half cents per bushel on all grades and types of wheat other than those above referred to, plus in the case of all grades any fraction of a cent less than one-half per bushel which may arise when deducting the freight rate per bushel from the cash payment as determined.

The 1941 clause covering street wheat says:—

The prices shown in schedule "A" are the prices fixed by the Board and approved by the Governor in Council and have been arrived at after deducting the Vancouver or Fort William freight charges, whichever rate is the more advantageous to the producer and after deducting a sum not to exceed four (4c.) cents per bushel—

By Mr. Perley:

Q. That is one half cent less?—A. One half cent less, yes.

—on Number One Hard, Numbers One, Two and Three Northern spring wheat, Numbers One, Two and Three C. W. Garnet and Numbers One, Two and Three Durum, including the toughs or damp of these grades; five (5c.) cents per bushel on all grades and types of wheat other than those above referred to, plus in the case of all grades any fraction of a cent less than one-half cent per bushel which may arise when deducting the freight rate per bushel from the cash payment as determined.

You will note that the change in the clause is that the street spread has been narrowed half a cent a bushel.

By Mr. Wright:

Q. On whose representation was it narrowed?—A. The board, I think.

By Mr. Donnelly:

Q. Is there anything there or in the agreement that you have to prevent any line elevator or any elevator company cutting that rate from 4 cents down to 3, for example, if they thought the charge was too high?—A. The agreement provides that they will pay these prices, but they could, of course, make representation to the board, agree to operate at a lower spread.

Q. If they thought they were taking too much from the farmer could they say, "This is too much, we will cut this down to 3 cents instead of 4"?—A. Yes.

MR. SENN: Has it ever happened?

By Mr. Donnelly:

Q. I do not see why our farmers' elevators would not do it.—A. I would like to make this clear; they could not do it without discussing the matter with the board and there would be reconsideration from the standpoint of all companies.

By Mr. Douglas (Weyburn):

Q. One could not do it by himself?—A. No.

By Mr. Donnelly:

Q. Did they make a presentation to you and say, "We want to cut this down to 3 cents," and if they did, what was your reaction?—A. We would call them together and say, "We want you to cut it to 3 cents."

By Mr. Perley:

Q. If a private elevator reduces the charge to anything he saw fit, that is all right; but if the line elevator reduces his fee at a given point where an independent elevator was operating to meet that independent he would have to do it throughout his whole system, would he not?—A. As far as the statutes are concerned, I think that is right.

Q. That is practically the same system you are working on?—A. Yes.

Q. If the pool did it in one point to meet any competition or to get business so to speak you would compel them to do it all over the whole system?

The CHAIRMAN: Is it not done under the Canada Grain Act?

By Mr. Perley:

Q. You apply the same principles.—A. The pool would not do that; if they were going to reduce their charge they would reduce their charge by making representations to the board and we would have to call all the companies together.

By Mr. Donnelly:

Q. Have they made any such representation to you?—A. No, sir.

Q. I cannot understand that because in 1940 when we made representations to you to have it cut the pool told me, and I have the letter in my office, that they made representations to you wanting it cut; you have no knowledge of that?—A. Wanted the street spread cut?

Q. Wanted the carrying charge cut.—A. I think they made representations to the Board of Grain Commissioners to have the storage rate reduced. I am almost certain of that; I think that is what you are referring to, Doctor.

Q. Yes, it may be the Board of Grain Commissioners.—A. May I go on? Now, there is another very important difference in this contract from the 1935-1936 contract. Clause No. 19 in the 1935-1936 contract which you have there says:—

The Board will pay to the Company a carrying charge covering storage and interest on Class "B" wheat in store at country elevators of 1/30th of one cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to the Board of the regular daily report form reporting this wheat to have been received into the Company's elevator, and will continue to pay this carrying charge until two days after the date the wheat is unloaded at terminal points of such other destination as directed by the Board.

The similar clause in the 1941-42 contract—and it was also in the 1940-41 contract,—says:—

The Board will pay to the Company a carrying charge covering storage and interest on Class "B" wheat in store at country elevator of .02851 of one cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to the Board of the regular daily report form reporting this wheat to have been received into the company's elevator, and will continue to pay this carrying charge until three (3) days after the date the wheat is unloaded at terminal points or such other destination as directed by the Board, provided that the maximum carrying charge shall not exceed thirteen (13) days from the date of bill of lading.

The difference in these two clauses is if a carload of wheat—1935-1936—was in route for some weeks or months, the carrying charge would be paid until the car is unloaded. In the 1941-42 contract the payment of the carrying charge is limited to thirteen days.

By Mr. Perley:

Q. Just there may I ask this question? It means that they collect storage charges while it is in transit?—A. Yes.

Q. But only for thirteen days?—A. That is right.

Q. That is the maximum amount?—A. Yes.

Q. Does that include the time that it is in the elevator as well? With regard to class "B" wheat carrying charges usually start the day following?—A. I read that section, Mr. Perley.

Q. Usually starts the day following the report—A. It says, "The Board will pay to the Company a carrying charge covering storage and interest on Class "B" wheat in store at country elevators of .02851 of one cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to the Board of the regular daily report from reporting—"

Q. In no case shall it be longer than thirteen day following that?—A. That is right.

Q. It may be in the elevator the thirteen days then there would be— —A. It may be in the elevator for two or three months.

Q. But if it were shipped out the day after it was taken into the elevator it would mean it would be collecting storage then while it was in transit?—A. That is correct. I just want to make that point clear, this contract has been progressively improved from the standpoint of the board. In the first contract there was no limit to the time of the payment of carrying charges whereas now it is limited to thirteen days which was considered the average time in transit. The average time, normally but there are cases of congestion where cars are tied up for a considerable length of time.

And now, the other section with which I would like to deal is this section with regard to shipping, No. 21: (I am reading again from the old contract, Dr. Donnelly, and I am sorry I am not able to supply you with a copy of it).

21. Subject to the right of the producer to direct that his wheat in carload lots shall be billed to any terminal elevator selected by him, which right is admitted by the company, all board wheat of whatever class forwarded to terminal points shall be handled through any terminal elevator the company may desire provided such terminal elevator selected by the company is licensed under the provisions of The Canada Grain Act in the then current year to accept wheat other than wheat belonging to the manager or operator of such elevator. The board shall have the right to direct the shipment or diversion of wheat to interior mills or interior terminal elevators within the Western inspection division or Churchill or to points other than terminal points within Canada or the United States, but if it does so the board shall pay a charge of one and a half cents ($1\frac{1}{2}$ c.) per bushel on all wheat shipped or diverted to interior mills and one cent (1c.) per bushel to the company on all wheat shipped or diverted to interior terminal elevators and Churchill and such other points.

Well, now, the 1941-1942 contract, in that the one cent per bushel is only paid on the top and damp grades. The one cent per bushel is paid on all wheat carrying a sufficient dockage to incur cleaning; so that on all the balance of the wheat, which is the largest quantity—

By Mr. Donnelly:

Q. It says here, one cent a bushel on all wheat not later forwarded to terminal elevators?—A. Yes.

Q. What do you mean by "later"; how long is that?—A. It might be a year, Dr. Donnelly; we have been carrying these terminal elevators, the interior terminal elevators, full of wheat, practically full, because the government are getting the benefit of the storage.

Q. There is no other agreement with respect to spreads in grades, or exports, or anything; this is the one and only agreement?—A. Yes, sir.

By Mr. Wright:

Q. There is a tremendous amount of discussion among the farmers about the loss or gain in grades in elevators. I think it would remove a lot of suspicion on the part of the farmers, in their minds, if you detailed the adjustments that are made between the board and the various companies on these grades. It would either prove something or disprove it.

Mr. PERLEY: That is what I was getting at when I interrupted you before.

The WITNESS: Well, Mr. Wright, that gets back to the point that we have been discussing around this table for days; and I frankly do not know what the position is in regard to the various companies. We have a statement in Winnipeg, of course; but I would say this, they are pretty well in line one with the other as far as I can recollect. There may be some that are a little out of line; but I just want to say this, that in so far as the board is concerned, I want to make it clear that the board do not suffer.

Mr. PERLEY: It is the producer who will suffer; he has to deliver No. 2 and he only gets No. 3 for it.

The WITNESS: I think, Mr. Perley, that, frankly, that position is very much exaggerated. I think the producer has through his own companies very good protection in regard to his grade.

By Mr. Perley:

Q. I have heard a great many complaints, I must say that. Take my own case last fall, I delivered Grade 1 that only went 2 and it should have been Grade 1; and I got Grade 1 at the first for it.—A. Well, Mr. Perley, you have rights under the Canada Grain Act. I do not know why you did not exercise them.

Mr. PERLEY: We wanted to get the wheat we were selling away from the combines, we didn't want to take the time to fight a legal battle.

The CHAIRMAN: You didn't want your wheat to get another shower of rain on it.

Mr. PERLEY: That's the idea; I would rather take Grade 4 for it to get it in.

The WITNESS: Our estimate of the carry-over on the 31st of July will be about 400,000,000 bushels.

By Mr. Ross (Souris):

Q. That is at the end of this year?—A. Yes, and that would leave about 200,000,000 bushels empty space, most of which will be in the country elevators; that is, before the new crop is delivered.

The CHAIRMAN: Order please.

The WITNESS: Which is not too much to come and go on if you figure the increase in production in coarse grains and so on.

By Mr. Ross (Souris):

Q. I was just wondering, on that point; would that necessitate a quota system of deliveries? There is not enough space to take care of the wheat, hardly.—A. Yes, I have a statement in regard to quotas.

By Mr. Wright:

Q. In ordering wheat forward from country elevators how do you decide which elevators to take it from?—A. Well, we look at total stocks; we have

a record daily of the total stocks of all the companies; and we order in at a proper ratio to the stocks held by the companies and having in mind the grades that are required.

Q. This is all done on a ratio basis?—A. Yes; as I say, having in mind the grades that are required. It might be difficult when one company had, say 1,000,000 bushels of a certain grade of wheat due to the fact that they serve a certain territory.

Q. Yes?—A. And the mills would want that grade and not want other grades. In that case they would be unfortunate and would have to ship in a greater ratio; but it works itself out during the year.

Q. I suppose it would work out all right; supposing one company had a lot of elevators which had mites in the wheat and they wished to get rid of that grain, do you give special consideration to cases of that kind?—A. Yes, we do.

Mr. PERLEY: And then you have the mites turning up at Fort William which he should have cleaned up in his own elevator.

The WITNESS: I think it is the obligation of the board, if wheat is being destroyed in the country, to facilitate the movement of that wheat no matter who owns it.

Mr. PERLEY: I have in mind one of the annexes where they transferred grain from the annex into the elevator and then turned it over two or three times and transferred it back again to the annex and then had to turn around and do that all over again. They have done that three times within this last year.

The CHAIRMAN: Just on that point—

Mr. PERLEY: That point is Moosomin. I would not like to name the elevator, but no doubt you know the one to which I am referring.

The WITNESS: They are doing that at their own expense.

The CHAIRMAN: If there is any loss in wheat or grade because of that.

Mr. PERLEY: The elevator stands it.

The CHAIRMAN: Well, they deliver what they have taken in on grade.

By Mr. Quelch:

Q. I would like to ask Mr. McIvor why it was considered necessary in 1940 to tighten up the regulations to such an extent regarding tough wheat. I know at several points the elevators refused to take in wheat they said because of a direction which they had received from the board that they could only take in dry grain. The result of that was that a lot of the grain had to be carted back home and the combines were all slowed down waiting for the grain to dry. If it had not been for that ruling they would have been able to go on.—A. Mr. Quelch, we have nothing to do with the grading of wheat.

Q. I don't mean that, I am not saying that; what I am saying is that you told the elevators that they were not to accept one bushel of wheat that was not over a certain percentage. That is what you told everybody around that part of the country; they said that they had a ruling from you; as a matter of fact they showed me a letter from you to that effect.—A. No. There have been a lot of things happen over the last two years—I would just like to ask my colleagues, I would like to be sure about that. No, we did not issue any such instruction.

Q. That was in 1940. Who would that be from, the Board of Grain Commissioners?—A. No. The only thing I can figure is that it would come from the elevator companies themselves.

Q. No, it was not from the elevator companies themselves.—A. I know this, Mr. Quelch; I would like to say this, and I think it should be borne in

mind: I went out to Alberta in the fall of 1940 due to that very situation and we drove over a lot of country and made a survey, and then I went on back to Winnipeg and saw the vice-presidents of the railways and arranged for cars to be put in there over and above any at other points to deal with that situation.

Q. But that situation would not have developed to anything like the extent that it did had it not been for the ruling that the elevators would not take any grain that went tough, even if it went a point. I know they were absolutely shut down for three weeks. I went ahead and combined my own stuff and took it into the elevator and it was turned down because the elevator refused to take it in; they said it was on account of the fact that the Wheat Board had refused to take any grain that was tough.

The WITNESS: That is the responsibility of the elevator company, not the Wheat Board. I just want to say that I remember that fall discussing the whole situation with Mr. Purdy of the Alberta Pool, and as I recall it the general feeling of the companies at that time was that if the growers would not be impatient in getting their wheat into the elevators there was considerable chance that the weather would improve and the wheat would dry out.

By Mr. Quelch:

Q. Just the reverse. I am only telling you my recollection of that situation at the time. Most of the wheat could have been shipped just tough?—

A. I recall that they estimated when I was out there what would be marketed in the form of tough and damp wheat and when we made the arrangement with the railway companies it was very much reduced. In other words, there was not nearly the amount that had been estimated.

By Mr. Donnelly:

Q. You would not care how damp or tough it was when it was turned in?—A. That is up to the companies.

By Mr. Quelch:

Q. If the elevator takes delivery of wheat for the board and you allowed them to buy tough wheat would not the responsibility be on the board?—

A. If it went tough then it would be their loss. They would have to deliver the grade they purchased in the country.

Q. If they bought tough wheat on your behalf, say 14·7, would not that be your responsibility?—A. No; it is their loss.

The Committee adjourned at 5.57 o'clock p.m. to meet Tuesday, May 19, at 11 o'clock, a.m.

CAI
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, MAY 19, 1942

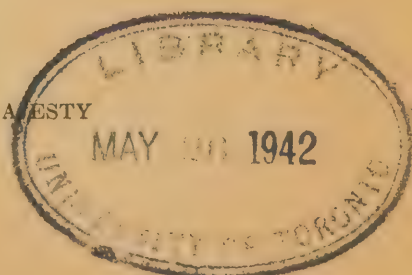
Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board.
Mr. R. C. Findlay, Comptroller.
Mr. C. Gordon Smith, Assistant Chief Commissioner.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

TUESDAY, May 19, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Cruickshank, Davidson, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Furniss, Graham, Golding, Henderson, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, Mullins, Perley, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Moose Jaw*), Senn, Weir, Wright.—31.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:—

Mr. C. Gordon Smith, Ass't Chief Commissioner;

Mr. W. Charles Folliot, Commissioner;

Dr. T. W. Grindley, Secretary;

Mr. R. C. Findlay, Comptroller; and

Mr. C. B. Davidson, Statistician.

The Minutes of the previous meeting held on May 18 were read and adopted.

Mr. George McIvor was recalled and further examined.

Mr. R. C. Findlay was also recalled and examined.

Mr. C. Gordon Smith was called and gave answers to questions regarding the working of the quota system of the Board.

On motion of Mr. Donnelly, the Committee adjourned to meet again on Wednesday, May 20, at 11.00 a.m.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 19, 1942.

The Standing Committee on Agriculture and Colonization met at 11.35 a.m. The chairman, Mr. William G. Weir, presided.

The CHAIRMAN: If the committee will come to order I will ask the secretary to read the minutes of yesterday's proceedings. (Whereupon the clerk read the minutes of yesterday's proceedings, and the same were duly adopted).

The CHAIRMAN: Gentlemen, when the committee rose last evening Mr. McIvor was on the stand dealing particularly with the agreements that the board has with elevator companies for the handling of board wheat. Involved in that discussion but not reached at the time of adjournment is the matter of the base upon which the spreads between the different grades are paid for by the wheat board. I assume the committee desire to clear up those particular items at this morning's session? If that is so, may I invite Mr. McIvor back to the witness stand.

Mr. GEORGE McIVOR recalled.

The CHAIRMAN: Has anyone further questions to ask Mr. McIvor with respect to the elevator agreements?

By Mr. Wright:

Q. Before the session closed last evening I was asking Mr. McIvor to give us the adjustments that were made between the various companies and the board with regard to the grades on wheat. I think we should pursue that a little further. These companies buy the grain from the farmers at a certain grade, and when they turn it over to the board the amount they pay does not correspond with the amount in the same grade that they turn over to the board. I think we should know about that. The farmers are very anxious about this matter of losing grades on their wheat, and if they have that definite information it will relieve a lot of rumours and a lot of talk that goes on throughout the country with regard to this matter. The board have that information, have they not, Mr. McIvor?—A. We have our annual grade adjustments.

Q. It seems to me that if these elevator companies are allowed to buy wheat in as No. 2 wheat and deliver it as No. 1 wheat to the board we should have that information?—A. The adjustments of the board will not necessarily give the proper picture, because you have a huge quantity of non-board wheat as well, and it might distort the picture.

The CHAIRMAN: Is not that particular condition governed by the Canada Grain Act?

Mr. WRIGHT: The producer always has the right to have a sample of his grain submitted to the Winnipeg Inspection Department, but in many cases he does not do that, and the companies are making grades on wheat delivered, and if that information is available I think we ought to have it. Or if they are not making grades on wheat I think we should have that information. It would set a lot of rumours at rest that are being circulated around the country at the present time. I can see no reason why it should not be given if it is available.

Mr. DIEFENBAKER: Even though it is only a partial picture as Mr. McIvor suggests, nevertheless that idea is being circulated and I am sure Mr. McIvor

would not desire it to become general. Therefore, if he would give us the picture even partially it would, as Mr. Wright says, be helpful and if it is shown to be non-existent it would tend to improve the attitude of the farmers towards the grain dealing people generally.

By the Chairman:

Q. Mr. McIvor, I think you mentioned yesterday the basis of policy pursued in making whatever adjustments had to be made in that regard?—A. Yes.

By Mr. Perley:

Q. In section 13 there is a clause dealing with that. It says that the adjustment dates are December 31 and March 31?—A. Yes.

Q. Could you take those dates and the adjustments that were made, and the companies they were made with on the 31st December, 1940, and the 31st March, 1941?—A. I do not want the committee to get the impression that we are trying to withhold this information. On the other hand, I want to point out exactly what you are asking for, because this deals not only with line companies but producer companies.

Q. I know?—A. If you obtain from the wheat board the position of the adjustment of wheat board wheat that will not necessarily show the overall grade losses or gains in the relationship between the company and the farmer. It will show it on the wheat board handlings but it will not show the overall picture. I want to point out also that if you were to go into the country and protest that company "A" gained grades on the farmers' wheat you might not be giving the true picture.

Q. It will give the picture on the wheat board wheat?—A. Mr. Findlay, would you come up here for a moment, please.

Mr. WRIGHT: That is as far as you can go, on the wheat board wheat.

The WITNESS: Mr. Chairman, Mr. Findlay points out that there are still very big quantities of 1939 wheat in the country, which further complicates the situation. No grade adjustment can be made on that wheat, nor can it be made until the wheat is shipped out.

By Mr. Ross (Souris):

Q. What about the 1938 wheat? Could you give us that picture? What Mr. Wright and the rest of us want to know is the system whereby you made these adjustments. If you give us the picture for 1938, which is all cleared up, that would be helpful?

Mr. WRIGHT: That would be a true picture.

The WITNESS: Does the committee want that information?

The CHAIRMAN: What is the pleasure of the committee?

By Mr. Ross (Souris):

Q. Is there any reason why we should not have that information?—A. Not beyond the reason I have pointed out, namely, that it will give a distorted picture as far as the grade adjustments are concerned.

Q. But not so far as the wheat board is concerned?—A. I suggest, Mr. Chairman, that if you want that information we should give it as: Company "A", Company "B", Company "C", and so on.

By Mr. Graham:

Q. Please explain what you mean by a grade adjustment?—A. When the wheat is taken in the country it is graded by the elevator agent, and a report is made to the board on the receipt of this wheat.

By Mr. MacKenzie:

Q. Is that report made every day?—A. Yes. When the wheat is shipped out it may be taken in as No. 2 Northern and graded No. 3 Northern, and in that case there would be an adjustment and the board would only pay them for No. 3 Northern wheat.

By Mr. Perley:

Q. The same thing applies the other way about. I think if you will read clauses 12 and 13 to the committee, it may be helpful?—A. Yes. These clauses cover the question of grade adjustments:—

12. The company will deliver to the board at terminal points the full amount of bushels for which cash tickets for Class "B" wheat have been issued, and is responsible for and assumes the risk of grade on Class "B" wheat and will deliver to the board at terminal points wheat equal to the quantities and the grades for which it has issued cash tickets subject only to the next succeeding paragraph.

And the next succeeding paragraph reads:—

13. The company will ship from each country elevator and deliver to the board as nearly as possible the same quantities and grades of Class "B" wheat as were received from the producers at such country elevator, and shall not substitute wheat from other shipping points without the consent of the board. The board will accept wheat from substitute points when requested, where in the judgment of the board it can do so. It is mutually agreed that cash settlement

and this is the point raised by Mr. Graham:

. . . . of the total of over or under delivery of any grade of this street wheat by the company to the board may be made at December 31 and March 31, with the exception that any unsettled balances shall be settled at the end of the season at the average spreads that have existed at Fort William for spot wheat during the crop year ending July 31, 1942. The company agrees to deliver to the board as nearly as possible quantities for which they have issued producer's certificates, and nothing in this contract is to be construed as obligating the board to accept any one grade instead of any other grade, except in reasonable amounts such as might be accounted for by loss of grade. Any over delivery or under delivery caused by such substitution of grades shall be subject to the cash settlement referred to in this clause.

The information that has been asked for is for the year 1938.

By Mr. Diefenbaker:

Q. Before you go on to give that information, may I say I have not thoroughly understood your answer because I could not follow you closely when you were reading those clauses. Take a concrete example: suppose an elevator company buying for the board purchased 1,000 bushels which is graded as No. 3 to the farmer?—A. Yes.

Q. On delivery of that wheat to the board it was found to be No. 2?—A. Yes?

Q. What is the nature of the adjustment that is then made?—A. In the first instance, Mr. Diefenbaker, the elevator company is paid for No. 2 Northern wheat, the grade they delivered to the board. I think I see the question that is in your mind.

Q. I am trying to get information on this subject?—A. The position is this, that if the elevator company through an act of theirs overgraded the wheat in the country and gave to the board No. 2 Northern wheat, and the spread on No. 2 Northern wheat was not as satisfactory from the board's standpoint as the fixed spreads, you can see that the board would lose by the fact that they are getting No. 2 Northern instead of No. 3 Northern.

Q. Where there is an overgrade?—A. Yes. So actually they are only paid in the first instance for what is delivered to the board, whether overgrade or undergrade. And at the end of the year—referring to the year 1938—this adjustment is made which requires them to adjust with the board on the average spread over the year as between the grades, so that the board will not lose by the fact that they have overgraded or undergraded in the country.

Q. Take a concrete example of a country elevator that purchases from the farmer and grades the farmer's wheat as No. 3 and pays him on that basis: it is No. 2 that is actually delivered to the elevator company, and the same shipment is carried on, of course, to your direction. Now, does the elevator company buying that wheat receive at the end of the year an adjustment for the difference between No. 3, the grade they actually took it in as, and No. 2, the price it grades?—A. No. They are paid for No. 2 Northern at the time they delivered it. Likewise if they only deliver a No. 4, they would be paid for No. 4.

Q. And later on if it turned out to be No. 2 would there be an adjustment made?—A. No. Taking your illustration of No. 3 Northern taken in at the country elevator and reported to the board as being No. 3 Northern; the car is shipped down to Fort William and it grades No. 2 Northern. The elevator company is paid for No. 2 Northern because that is what they delivered to the board. Likewise they take in in the country elevator No. 3 Northern, and when it is graded it is shipped as No. 4: In that event the reverse happens.

Q. So that the position is that if the elevator company buying for the board at the various country points pays the farmer for a lower grade than the farmer's wheat actually grades at when it comes into your possession, the elevator company actually gets the advantage?—A. Yes; and likewise if they overpay him or pay him for a higher grade, they lose. You have to put up both sides of the case.

By Mr. Wright:

Q. The information I wanted was this: Take one elevator company that bought of the 1938 crop 1,000,000 bushels of No. 1 Northern and 1,000,000 bushels of No. 2 Northern, and 1,000,000 bushels of No. 3 Northern, have you any information as to how many million bushels of No. 1 Northern they deliver to you?—A. Yes.

Q. And how many million bushels of No. 2 Northern they deliver to you?—A. Yes, we have that for the 1938 crop. We will get that information; if we have not got it here we will wire to Winnipeg and get it.

By Mr. Senn:

Q. In the case Mr. Diefenbaker instanced, where the farmer is paid as No. 3 and the board pays for No. 2, is there any adjustment to the farmer?—A. No; but if the farmer is not satisfied he can have the samples sent to the inspection department at Winnipeg and graded.

By Mr. Perley:

Q. The farmer is anxious to get his wheat into the elevator and the elevator says: "We cannot pay you on No. 2 without grading it," what happens?—A. You have asked me for this information, and we can get it for you.

By Mr. Wright:

Q. If the elevator companies know that this information is going to be made public at the end of each crop year when the wheat is finally disposed of, I think they will have a tendency to grade as closely as possible to the real grade?—A. You are not suggesting that the farmer owned companies are not grading properly?

Q. No. I am suggesting that the grades as a whole will be improved. In the case of the farmer-owned companies it does not make so much difference, because we get it back anyway. (No response).

The WITNESS: Mr. Chairman, do you want the names?

The CHAIRMAN: No.

By Mr. MacKenzie:

Q. On the year's operations is there more overgrading than undergrading?—A. I prefer to let the figures speak for themselves. They will show the number of bushels of each grade taken in at the country points, and the number of bushels delivered to the board at terminal points.

By Mr. Graham:

Q. How many elevator initial points are there?—A. Points or elevators?

Q. Elevators?—A. Over 5,000.

Q. And I suppose you recognize that there will inevitably be some overgrading and some undergrading?—A. The elevator agent would be a miracle man if he could grade this wheat perfectly.

Q. And the system you have described is a method of attempting to maintain the board's position?—A. The system is that the board must be protected. If they take in wheat in the country, whatever grade is delivered to the board must be the grade passed by the government inspector.

Q. The elevator company cannot profit and the producer might lose something?—A. He might lose or gain. I have put the emphasis on the word "gain".

By the Chairman:

Q. The people who are supposed to watch the grading and endeavour to keep the grading as close to accuracy as possible are the Board of Grain Commissioners?—A. Yes.

By Mr. Fair:

Q. Do the elevator companies keep board wheat and their own wheat separated in the elevators?—A. I think it would be physically impossible for them to keep it separate, particularly having regard to the conditions we have been operating under.

Q. In that case I do not think Mr. Wright will get the information he is seeking here, because he wants to know what I tried some four or five years ago to learn?—A. I think he will; I think he has made quite clear what he wants.

Q. If the elevator companies take in so much board wheat and so much wheat for their own account and all of it is mixed I do not think he can get the information he seeks, because there may be undergrading or overgrading?—A. The whole thing would not be mixed, and whatever the country elevators do with the wheat, that is under the jurisdiction of the Board of Grain Commissioners as to grading; and I think the farmers have certain definite rights under the Canada Grain Act.

Q. But to get the true picture you would have to have the intake and the out-turn of each elevator company for board account and their own account?—A. Dr. Grindley has pointed out something to me that I had forgotten: In 1938 the board handled 100 per cent of the crop so the figures will represent the actual position.

Q. I remember a few years ago trying to get similar information and got it only so far, and was told I could not get it as far as grain in eastern terminal elevators was concerned. I was trying to find out how elevator companies were benefiting or losing on grades. (No response).

By Mr. Diefenbaker:

Q. In Exhibit "D" to the report of the Canadian Wheat Board for the crop year 1939-40 I see an item: "Adjustments of grades with agents, \$19,807.42." Does that represent the net adjustment after debits have been offset against credits?—A. I am going to ask Mr. Findlay to answer that question.

Mr. FINDLAY: The net result of the grade adjustment for that particular crop year resulted in a red figure or in a credit to us. The companies lost grades.

By Mr. Fair:

Q. Going back again to the grading in connection with the 1938 crop, is there any possibility of the 1936 or 1937 crop being mixed in with it?—A. I do not think so in the case of that particular year, because if you remember the 1937 crop was a failure and practically all wheat was moved out of the country elevators before the 1938 crop came on; so that is a very good year to take from the standpoint of getting proper information.

Q. But there is still the possibility of old wheat being mixed in with it in terminal elevators?—A. The position of the elevator companies is that they have had to use every possible bit of bin space available by reason of the conditions.

By Mr. Cardiff:

Q. Is the wheat shipped in full carloads?—A. Yes. And they ship it in what they call bulkhead cars where they put partitions up; it is not mixed.

By Mr. Diefenbaker:

Q. Coming to Exhibit "C" in the report of the Canadian Wheat Board for the crop year 1940-41, for the year ending as at July 31, 1941, there is no item: "Adjustment of grades with agents" that I can find.

Mr. FINDLAY: In the 1940 crop account?

Mr. DIEFENBAKER: Yes, there is no such item.

Mr. FINDLAY: The reason is that we had tremendously heavy country stocks and nobody can estimate what the grade loss would be.

Mr. DIEFENBAKER: But do not you have to make an adjustment as at 31st December?

Mr. FINDLAY: That is provided for in the contract, and very rarely asked for.

By Mr. Diefenbaker:

Q. Why is it that it does not appear in this account?—A. Too much wheat in the country, Mr. Diefenbaker. All wheat was not shipped out and the grade established; it was physically impossible.

By Mr. Perley:

Q. Then why have that phrase "As at 31st December" in the contract?—A. We did not know what was going to happen when we wrote the contract; we did not know that these conditions would arise at the end of the year.

The CHAIRMAN: We are trying to clean up the question of the elevator agreement and how the basis on which the spreads was arrived at. Can we keep our discussion to that question for the time being?

By Mr. Diefenbaker:

Q. Has there been any adjustment made yet on the basis of the 1940 crop?—A. Did you mean grade adjustment?

Q. Yes.—A. There have been some adjustments made, Mr. Findlay says, of the No. 3 Northern and lower. Those grades were practically cleaned out of the elevators.

Q. But you have no figure as to the amount of the adjustments?—A. Again I will ask Mr. Findlay. Probably you had better come to the table, Mr. Findlay.

Mr. DIEFENBAKER: What is the amount of the adjustments that have been made for the crop year 1940, the year ending 31st July, 1941?

Mr. FINDLAY: I would not have those figures.

Mr. DIEFENBAKER: Who has those figures?

Mr. FINDLAY: We would have them in the office; there is a very considerable number.

Mr. DIEFENBAKER: Could you procure a statement for the committee on that matter, too?

The CHAIRMAN: What crop year?

Mr. DIEFENBAKER: 1940.

Mr. McIVOR: That is going beyond July 31.

Mr. FINDLAY: Yes.

Mr. PERLEY: 1940-41.

The CHAIRMAN: Is that covered?

Mr. WRIGHT: The adjustment would be made subsequent to July, but would be on the other crop.

Mr. DIEFENBAKER: Yes, subsequent to July, 1941; but it refers to the 1940 crop, because as at 31st July, 1941, there had been no adjustments made for the reasons given by Mr. McIvor.

The WITNESS: We have not any particular objection to giving it, Mr. Chairman, but Mr. Findlay says it is an arduous job to get it out in the midst of the crop season. The 1938 crop figures are complete. It is going beyond July 31, 1941, and means a considerable amount of work.

Mr. DIEFENBAKER: Mr. Chairman, surely they would have the ledger with the amounts paid all the way down, and it would be only a matter of recapitulation of the various amounts?

Mr. FINDLAY: It would involve a very considerable amount of work.

Mr. DIEFENBAKER: Even so, this committee should have that information.

Mr. GRAHAM: Is this a one-man committee, or may the rest of the members hear you?

Mr. DIEFENBAKER: I am sorry. Usually I am charged with talking too loudly!

The CHAIRMAN: Perhaps Mr. Diefenbaker will repeat his question?

Mr. DIEFENBAKER: I asked Mr. Findlay to produce the records showing the adjustments that were made for the 1941 crop. In Exhibit "C" to the report on the crop year 1940-41, there is no item for adjustments to grades with agents. There being none, I asked the witness whether or not any adjustments had been made, and Mr. McIvor explained that there had been adjustments made but it was impossible to know what the total amount would be for the year, as there was still a great deal of wheat in the elevators.

Q. Is that a correct summary, Mr. McIvor?—A. Yes.

Mr. DIEFENBAKER: So I have asked Mr. Findlay to produce the records showing the amount actually paid out under that head to date: the adjustment of grades for the crop year 1940.

The WITNESS: My colleagues have just drawn my attention to something I had overlooked: this will not give a proper picture of the grade adjustments. The only adjustment that has been made has been made on grades in some cases up to No. 3 Northern. There is yet a lot of wheat back in the country that has to be shipped out and a grade adjustment made. I do not even know how the figures would work out. I am inclined to think they would show that the elevator companies have graded higher. However, I think in view of the fact that the information would not represent the true picture the committee should not go beyond the crop year 1938; 1938 answers the question directed by Mr. Wright, because all the wheat was taken in and all shipped out.

By Mr. Perley:

Q. You can give us the figures for 1939 because the elevators have been cleaned out once, anyway?—A. There are big stocks of 1939 wheat in the country.

Q. I do not think the elevators would want to carry this adjustment for two years. Surely you made a settlement with them as at 31st March, 1940? (No response.)

By the Chairman:

Q. Can you make a settlement until the grain is shipped?—A. No; you cannot make a final settlement until the grain is shipped out. I have explained to the committee the difficulties in regard to the matter. I think the 1938 crop is a fair answer to the question raised by Mr. Wright; but if you insist on the other information it will, in my view, give you a distorted picture of the position.

Mr. DIEFENBAKER: Whether the information is or is not to be rendered available is a matter for the committee, and I move that the record of the amounts paid for the crop years 1939 and 1940 under the head of: "Adjustment of grades with agents" be produced. Even though it does not give the full picture, as stated by Mr. McIvor, nevertheless the conclusions to be drawn from the information secured will depend upon any explanation that Mr. McIvor may choose to make after we receive the information.

By Mr. Perley:

Q. Let me add to that: The fact is that most of the elevators are 25,000- and 30,000-bushel elevators, and lots of them are handling 200,000 and 300,000 bushels. Surely that wheat has been shipped out two or three times and adjustments made on the portion which has been shipped out?—A. I must apologize to the committee. The 1939 crop is shipped out. I was confused with the 1940 crop.

Mr. PERLEY: I know one elevator that has loaded out three times.

The WITNESS: Mr. Chairman, frankly I do not want to see this point become a controversial one. I did not know that the 1939 crop had been shipped out. I have been told that it has been shipped out. We will get the information and give it to the committee.

By the Chairman:

Q. For 1940?—A. No; for the 1938-39 crop.

Mr. GRAHAM: I think that is sufficient to give us the information we require.

The WITNESS: We shall have to get the information from Winnipeg.

Mr. DIEFENBAKER: I will withdraw the motion. I like to see the attitude of Mr. McIvor to-day, because earlier we had quite a lot of difficulty in getting information.

The CHAIRMAN: I think you will agree that any information given by officials of the board would have to be such as could not be misconstrued or misleading in any sense; and some of the information under the present crop conditions cannot be given with full import.

Mr. PERLEY: There is no question that a lot of the 1940 crop has been shipped out of some of the elevators; some of the elevators have been loaded out three or four times. We could have the figures as at 31st March, 1941.

The CHAIRMAN: Is there any further discussion on the elevator agreement? Somebody asked about the basis on which the spreads were made in arriving at the initial payment which the board made on the wheat.

By Mr. Wright:

Q. Mr. McIvor, if the fact that the Cereals Import Committee were the largest buyers of the contract grades, would that set the spreads between those grades?—A. I would like to give an outline of how the spreads are fixed.

Q. By yourselves?—A. Yes, if I may. Then I would like to deal with the question raised by you, Mr. Wright, with regard to the protection of spreads in the market.

Q. Yes?—A. As you know, the board are charged with the responsibility of paying an initial price for wheat. That initial price is fixed for the new crop at 90 cents. It is fixed: basis No. 1 Northern. Then we are further charged with the responsibility of fixing the price equivalents or spreads between the various grades. That is a very difficult task. We have to try to project ourselves twelve months into the future, which is, I might say, an almost impossible task. We have to keep in mind that certain grades should sell in a certain relationship to other grades; but we do our best to fix the spreads as between grades, and the schedule of the spreads is on the back of this 1941-42 agreement. Sometimes in disposing of the wheat the spreads are not in line; they might be out either way. We might have fixed them too narrow and might have fixed them too wide; it would be a very rare thing if we could get them exactly right.

Dealing with Mr. Wright's question, the spreads are fixed in the market by the demand for one grade of wheat in relation to another grade of wheat. If, for example, the spread on No. 2 Northern under the No. 1 Northern was 3 cents, say, and the Cereals Import Committee decided that the No. 2 Northern was worth to them $2\frac{1}{2}$ cents within No. 1 Northern, the buying of No. 2 Northern on the part of the Cereals Import Committee would probably narrow up the spread to $2\frac{1}{2}$ cents.

By Mr. Douglas (Weyburn):

Q. Do they buy specific grades when they buy wheat?—A. Yes; they buy grades at the seaboard, and that buying would be reflected in the demand for that particular grade.

Q. Are those grades kept separate all the way through to the seaboard?—A. Yes. The same applies to No. 3 or No. 4 Northern or any other grade. So, in answer to Mr. Wright's question, the combined buying of the Cereals Import Committee, the demand within Canada, and the neutral demand for those various grades furnishes the reason for the fixing of spreads between the various grades. It is the reflection or view. It is as if a man went into a store to buy a hat and there was a fluctuation in the price of hats, and he thought a hat was worth \$6 in relation to a \$7 hat; that would fix the basis.

By Mr. Wright:

Q. But the man buying 70 per cent of the hats would fix the price?—A. He would have a very big influence on the price of hats.

Q. And in the practical result I think the Cereals Import Committee do set the spread between the contract grades?—A. They do not altogether; they do, plus the other buying.

Q. But the other buying is so small in comparison with their own?—A. The Cereals Import Committee would take in the form of wheat and flour perhaps 180 million bushels per year; the neutrals would take probably 35 million bushels; and the domestic market would take 45 million bushels, so there you have the relationship.

By Mr. Perley:

Q. Does not the season and the quantity of different grades available have an effect?—A. The quality of the crop? As far as the Cereals Import Committee are concerned, they confine their buying to No. 1 or No. 2 Northern, and the reason they do so is that they want to conserve vessel space as much as possible and get the greatest out-turn of flour from the wheat they buy.

Q. That would make the No. 4 spread very low?

MR. GRAHAM: I recall Mr. Murray stated that he thought there had been a mistake in the inclusion of Garnet wheat into the grade system. Have you formed an opinion as to that?—A. Yes, I agree with Mr. Murray on that. I would like to point out, in answer to Mr. Perley's question, who said that would make No. 4 spread very low, that No. 4 sold at a very narrow spread last year.

By Mr. Perley:

Q. On account of there being not very much of it. The quality of the crop is very high?—A. Yes.

By Mr. Douglas (Weyburn):

Q. Supply would be a factor as well as demand?—A. Yes.

Q. But the dominating factor would be the Cereals Import Committee?—A. Only in the case of No. 1 and No. 2 Northern.

By Mr. Perley:

Q. But No. 4 would be available for domestic purposes because a lot of it is milled domestically?—A. Yes. Our problem in connection with spreads is easier if it is a high grade problem.

THE CHAIRMAN: Are there any further questions?

By Mr. Perley:

Q. One section gives authority to the companies to hypothecate the grain?—A. Yes.

Q. That means they would get an advance on the grain and could use that money in financing their business?—A. They pay for the wheat in the country, and authority is given to them to hypothecate the grain with the banks in order to borrow money to pay for it.

Q. What about the items where the outstanding liability to the agents is \$145,000,000, referring to exhibit "A" of the wheat board report with respect to the crop year 1940-41? Would it make any difference in that regard?

MR. FINDLAY: No; it would not make any difference. That is the actual amount of money we pay to the agents of the board for the different grades of wheat they have in the country.

MR. PERLEY: If they can borrow the money at a little better rate from the banks, that would help the elevators out.

Mr. FINDLAY: I do not think any of them borrow money at less than 5 per cent for country wheat, except in the case of board wheat where we were able to get the banks to reduce the interest $\frac{1}{2}$ of 1 per cent.

Mr. PERLEY: Can you give us any indication of how prevalent that system is, and the extent to which the elevator companies use that system?

Mr. FINDLAY: To borrow from the banks?

Mr. PERLEY: Yes.

Mr. FINDLAY: It used to be a maximum of 80 per cent. Some, whose financial statements were very good, might get 85 or 90 per cent; but I do not think any would get any more than that.

Mr. PERLEY: But to what extent does that system prevail?

Mr. FINDLAY: I think it is very prevalent. I think any company starting out the year would first employ its own working capital, and from then on they have to borrow from the banks.

Mr. PERLEY: In other words, they are using the wheat as soon as they get it into the elevator to finance their operations.

Mr. FINDLAY: Yes, to pay the growers.

The CHAIRMAN: The wheat board is protected against any loss in that regard?

Mr. FINDLAY: Yes, quite.

By Mr. Perley:

Q. With regard to street wheat, the service charge of 4 cents—A. The service charge is 1 cent.

Q. But with the $1\frac{3}{4}$ cents and the commission the maximum is what, 4 cents?—A. You are talking about Class "A" or street wheat?

Q. Class "A"?—A. For Class "A" the handling charge to the elevator is $1\frac{3}{4}$ cents and the service charge is 1 cent, making $2\frac{3}{4}$ cents; and the man who ships the cars has to pay the freight on dockage and weighing and inspection charges. Now, I am told—Mr. Findlay is more expert on this matter than I—that as a rule until it gets up to 5 per cent dockage it pays a man better to ship a car, but over 5 cents he is ahead by selling at the street price.

By Mr. Donnelly:

Q. What about graded storage?—A. The same.

By Mr. Perley:

Q. With regard to the extra amount between 4 cents and $2\frac{3}{4}$ cents, do they give value for that? Before the board entered into the picture the farmer had it down to $2\frac{3}{4}$ cents?—A. No; as a matter of fact, his spread was very much wider on street wheat.

Q. On the street wheat?—A. Yes.

Q. Yes, but on the other?—A. On the other the position is unchanged.

The CHAIRMAN: It has always been $1\frac{3}{4}$ cents plus 1 cent per bushel for carload lots, as far as I can remember. As to what we ordinarily call "street wheat," that more or less stabilized itself after the time the pools and also the wheat board came into the picture.

The next item is the basis on which the quotas are arranged for the delivery of wheat to elevators because of the congestion. There have been several points raised in connection with that at different times both in the House and in this committee, and perhaps it would be well if we knew exactly what basis the board used in establishing the quotas for the delivery of wheat at the different elevator points.

By Mr. Ross (Souris):

Q. Could Mr. McIvor give us a statement on the basis used in the past, and the basis for this year?

The CHAIRMAN: We are concerned with the principle on which it will operate.

Mr. McIVOR: I am entirely in the hands of the committee. This is an important matter. I have a history of the operation of quotas which I can read, or I can deal with this year.

By Mr. Ross (Souris):

Q. I think it would be well to have the history of it first, and then give us this year?—A. Very well, it will take some little time:—

The quota system of deliveries was introduced by the Canadian Wheat Board on August 1, 1940. The placing of deliveries on a quota basis was made necessary by the grain storage situation. We commenced the crop year 1940-41 with about 163 million bushels of storage space available in country elevators and at the head of the lakes, and a wheat crop of over 500 million bushels being harvested in the Prairie Provinces on top of a carryover of 300 million bushels on July 31, 1940. It was necessary to introduce the quota system of deliveries in order to ration available storage equitably among approximately 240,000 wheat producers in the Prairie Provinces and to make sure that the early-maturing crops in Manitoba and parts of southern Saskatchewan and Alberta did not monopolize available storage space at the lakehead. In 1940-41 there was no limitation on the total amount of wheat to be marketed in the crop year, and therefore delivery quotas were established solely to spread out marketings in an equitable manner in accordance with available storage capacity. Delivery quotas were established through the Prairie Provinces on the basis of so many bushels per seeded acre of wheat in 1940, and these quotas increased gradually throughout the season from an initial general delivery quota of five bushels per acre until all delivery points were placed on an "open delivery basis" and the entire marketable surplus of the 1940 crop was delivered.

As the storage situation warranted, increases were made in the general delivery quotas but at the same time, quotas were increased at individual points wherever local storage permitted. When quotas at individual delivery points were increased above the general quota then in effect, it was the practice to discontinue car allotments to these points, thereby making cars available only at the points which could not take delivery of the general quota then in effect. This policy resulted in quotas being rapidly increased at points where local storage was available and at the same time resulted in storage at the lakehead being made available to those points where the general quota in effect could not be entirely delivered.

The storage situation was materially alleviated by the rapid construction of temporary annexes at country points, and in the last few weeks of the crop year the construction of temporary terminal space at Fort William, Port Arthur and other eastern points.

As a result of the operation of the quota system in 1940-41 and additional storage provided during the crop year, a total of 516 million bushels of all grains was marketed in the Prairie Provinces during the crop year 1940-41. This figure indicates very clearly the use which was made of available storage space during 1940-41.

The following table shows the general delivery quotas in effect during 1940-41:—

1940-41

August 7—5 bushels.
 September 14—8 bushels.
 November 27—10 bushels.
 December 14—12 bushels.
 March 13—15 bushels.
 April 17—20 bushels.
 April 21—Open delivery.

In addition to the increase in the general quota from time to time, quotas at individual points were increased as rapidly as local storage conditions permitted. A helpful factor in meeting the storage situation in 1940-41 was the sharp increase in wheat exports during the last four months of the crop year. Earlier in the season the board had expected exports of about 180 million bushels, but during the last few months of the crop year the United Kingdom moved unexpected large quantities of Canadian wheat overseas, with the result that our exports for the crop year 1940-41 reached a total of 230 million bushels. This year-end export movement not only eased our storage problem as far as the old crop was concerned, but also eased the position on August 1, 1941, just prior to the marketing of the 1941 wheat crop.

1941-42

In an enterprise as large and as complicated as that of the Canadian Wheat Board, and especially under wartime conditions, plans must be made for each crop months in advance, and all contingencies provided for. Plans for handling the 1941 crop engaged the attention of the board and the Dominion government as early as December 1940, and almost continuous conferences and discussions were held during the ensuing three months. At that time it appeared that Canada would have a carryover of at least 525 million bushels on July 31, 1941, with a 1941 crop at hand. If we were to harvest a crop of 300 million bushels of wheat in 1941, Canada had to be in a position to deal with over 800 million bushels of wheat in 1941-42. If we were to harvest a crop of 400 million bushels we would have to be prepared to deal with over 900 million bushels of wheat; and if the 1940 crop were repeated in 1941, it would have been necessary to deal with over 1,000,000,000 bushels of wheat in 1941-42. We did not know what kind of crop was going to be produced in 1941, but we had to make provision for all circumstances which might arise. It was out of this situation the policy for 1941-42 was finally decided. This policy called for a limitation of wheat marketings in Canada to 230 million bushels, which was considered at that time to be a reasonable estimate of the amount of Canadian wheat which could be used at home and abroad during 1941-42. Thus the limitation of total deliveries in Canada, and in the prairie provinces introduced a new factor in regard to delivery quotas. It meant that there would have to be seasonal quotas to meet local and terminal storage problems, and also a limitation upon marketings for the whole crop year. In order to keep marketings in the prairie provinces to approximately 223 million bushels (the western share of 230 million bushel figure for all of Canada), it was decided that deliveries of each grower should be restricted to deliveries from 65 per cent of his 1940 wheat crop. According to the policy established for 1941-42 the producer was in the position of not only having to have his deliveries regulated during the crop year as in 1940-41, but also having a

limit on the total amount of wheat which he could deliver. This represents the essential change in the delivery quota system as between 1940-41 and 1941-42.

As it turned out, the 1941 wheat crop was a small one—estimated at 273 million bushels, as compared with 513 million bushels in the previous year. It was apparent at the beginning of the crop year that the marketable surplus in the prairie provinces would be short of the deliverable quantity of approximately 223 million bushels, and for this reason the board will be able to take all wheat marketed in 1941-42.

On August 1, 1941, available storage in the west was considerably smaller than on the same date in the previous year. About 90 million bushels of storage space was available at country points and in addition, 12 million bushels of storage space was available at Fort William and Port Arthur. As a result of the short crop, small marketings of coarse grains, fairly good exports and a large domestic demand for all grains, delivery quotas were advanced rapidly in the fall of 1941 as shown by the following table:—

1941-42		
July	21 —	5 bushels (effective August 1st)
October	7 —	8 “
October	16 —	12 “
November	21 —	15 “
December	4 —	All points on “open delivery basis”

By December 4 all points in the three prairie provinces were on an “open delivery basis”. From August 1 to date a total of 237 million bushels of all grains have been delivered in the prairie provinces.

Now, dealing with Mr. Quelch's question about the basis of 1941-42 delivery quotas, the answer is as follows:—

The plan drafted for 1941-42 was based upon deliveries from 65 per cent of each producer's wheat acreage in 1940. Provision was made for adjustment in this acreage for delivery purposes if it were out of line in 1940. Producers who had abnormally high acreage in 1940 had these acreages adjusted downward, and opportunity was given to producers to apply to the board for a review of their acreage for delivery purposes if that acreage was abnormally low. Provision was also made for dealing with producers who had no wheat in 1940. (2) Having established the authorized acreage for the west as a whole and for each producer individually, the board had to draft a plan for per-bushel delivery quotas from this acreage. At this point I might add that at the time these plans were made we did not know what effects the wheat acreage reduction plan would have upon acreage in the west, and consequently we had to prepare ourselves for the contingency that 1941 wheat acreage would be as large or nearly as large as 1940.

The quota plan selected for 1941-42 was the result of a great deal of work on the part of the board. The board did not wish to have the high yielding areas carrying the wheat which would have had to be carried on farms if we had had a large crop in 1941. The board felt that after a certain yield per acre was harvested, from say seven bushels per acre upward, the farm holdback should be shared by all producers. With this object in mind, a delivery plan involving both the authorized acreage and yields per acre was prepared. Under this plan the per bushel delivery quota of a producer would be based upon his authorized acreage and the average yield at his delivery point with a sufficient adjustment to prevent total deliveries exceeding 223 million bushels for the west.

As a result of the short crop in 1941 this plan was not put into operation as it was apparent from the start of the season that a limitation of 223 million bushels for the west could not be exceeded out of the 1941 crop.

The board has taken advantage of the experience gained in 1941-42 to give very careful study and consideration to future quota plans. There was a weakness in the 1941-42 plan which would have been very difficult to handle if the plan had been put into operation. That weakness was basing individual producers' per bushel quotas upon the average yield per acre at the delivery point. Frankly, we now feel that the variation in individual yields per acre at local points is too wide to permit this basis being used except in a year when production is extremely uniform through the west.

For 1942-43 we wish to have a quota plan which is equitable and simple, this plan to be used if the marketable surplus of the 1942 crop is larger than 280 million bushels. Having in mind our experience in 1941-42 the board will work out its per bushel delivery plan as soon as 1942 wheat acreage is known and when we have a general knowledge of the pattern of the 1942 crop. I may say this, however, that if wheat acreage in 1942 is about the same as 1941 the board will probably use the simplest possible plan, namely, the advancing of per bushel delivery quotas until 280 million bushels are provided for or are delivered. The only reason we can see at the moment for utilizing a complicated per bushel quota such as that drafted in 1941-42 would be the harvesting of a very high average yield per acre in the west.

I might state that the board has been giving a great deal of consideration to the acreage structure in the west. We have been doing this work with one of the objects being to arrive at a delivery plan which will be best suited to the industry in the prairie provinces. The problem is not simple. We have high-yielding and low-yielding areas in the west. We have great variation in the size of farm units. These are all factors which enter into the consideration of a practical quota plan. The board recently has prepared a summary of the size of farms in all crop districts in the west along with the acreage sown to various crops by size of farms. We will be glad to make copies of this report available to members of the committee as we think you will find the information useful.

By Mr. Donnelly:

Q. Is the 280 million bushels this year all for the west?—A. 280 million bushels for the west.

Q. Who allocates the cars to different points?—A. Well, our car department, Mr. Donnelly. I think that has to come up later and I shall be very glad to deal with it then.

• The CHAIRMAN: It will be the next item inquired into.

By Mr. Donnelly:

Q. If you found in the quotas a competitive point would there be a tendency to move the grain from that competitive point?—A. The car problem has been highly controversial, particularly in the province of Saskatchewan, and I would like to deal with the whole question when we come to it.

The CHAIRMAN: Any further questions on the matter of how the quota program is arranged?

Mr. McIVOR: Mr. Davidson points out that I have omitted to read two paragraphs dealing with quotas and I should like to read them now:—

In addition, the board will have to take into consideration the acreage, production, and probable marketings of feed grains and flaxseed under the 1942-43 program before a definite statement can be made in respect to per-bushel wheat quotas in 1942-43.

Since the committee last met the board had decided that there will be no delivery quotas on flaxseed and producers growing flax in 1942 will be assured of immediate delivery next fall. Arrangements are being made by the board to move flaxseed forward as rapidly as it is delivered in order to get the 1942 flax crop to the crushers at the earliest possible moment, as linseed oil is urgently needed in connection with the war effort.

By Mr. Perley:

Q. If there is a good crop of coarse grains that would make a difference? There will have to be some provision made when they are encouraging the growing of these coarse grains?—A. In regard to the quotas we have a joint problem. One is the basis of delivery in relation to the acreage. The other deals with the question of elevator space at the points, and naturally we would have to consider the crops of coarse grains available to the elevators.

Q. I think that is important, because they are encouraging the farmer to grow the coarse grains and if they cannot take them they will have no return.

By Mr. Ross (Souris):

Q. If a man was growing some other crop as well as flaxseed, such as wheat or oats, what do you say as to movement?—A. What was the decision as to the movement of wheat and flax of Dr. Grindley?

Mr. SMITH: I think we felt it would have to be considered. Although it is a little difficult now to know what volume there might be, the main thing is to get the flax into the market; and we would have to consider that and do everything we could to let the flax grain have preference. If there was a real volume, of course, it might be difficult to handle. We could not find out any definite figures as to the volume.

By Mr. Ross (Souris):

Q. Quite a number of people have seeded it in that way?—A. We were very bothered about it. We will deal with it.

Mr. ROSS (*Souris*): I think a statement should be issued quite soon, because they are going to fall down on the acreage the government would like to see seeded to flax.

Mr. DOUGLAS (*Weyburn*): If I understood Mr. McIvor correctly, he said one of the determining factors in keeping out the quota system last year particularly was because they found they had less than 223,000,000 bushels available in the west, and they did not want all the hold-over in the good districts but wanted the hold-over spread into the poor districts?—A. Yes. The point is that we faced up to the situation. Remember, there is a difference in degree in regard to this delivery quota system as compared with last year, because last year we were limited to 230,000,000 bushels in the whole of Canada, while this year the limitation is 280,000,000 in the west alone. Last year the matter we were bothered about was that if there was a surplus over the 230,000,000 bushels all of it would have to be held in what might be termed the higher holding areas; but there is not the same problem this year because you have a bigger range to work in.

Q. I want to point out that it was not mandatory upon these people to bring in their wheat merely because the quotas were raised in their districts. If anybody wanted to hold-over there was nothing to prevent them from doing so, because there was plenty of local storage space?—A. Well, actually he could hold it within the crop year; there is nothing to prevent him from doing that.

By Mr. Perley:

Q. Would it not have been of great assistance to the board if some provision had been made to assist farmers to store the grain on their own farms and hold it back?—A. Farm storage was permitted.

Q. But if they had been assisted in providing space for the storage on their farms instead of these annexes being built, would it not have been better?—A. That is a matter of policy?

Q. What is your private opinion on that?—A. I would not care to express an opinion one way or the other. Any opinion I have with regard to that should be expressed to the government, I think.

Q. Has there been any suggestion of that nature? For instance, you have an advisory committee to your board? To what extent do you use them? We know what Mr. Murray thought of them, but to what extent do you use them and how far have you accepted any of the suggestions they have made?—A. Last year we had frequent dealings with the advisory committee, and the meetings are set out in our annual statement. This year we have had three meetings with the advisory committee. We value their opinion very highly. As a matter of fact, as far as I am aware the chairman has not officially resigned.

A VOICE: Yes.

Mr. McIVOR: Then I take that back. I am very sorry to hear that. The former chairman of the advisory committee, gentlemen, is in this room. We have had some very good men on that committee.

By Mr. Perley:

Q. Have they given you pretty good advice?—A. Yes; and we are always ready to take it.

Q. Have you taken it?—A. If we thought it good, we have taken it.

The CHAIRMAN: Should we not adhere to the matter we are discussing? Are there any further questions on this item?

By Mr. Wright:

Q. I would like to know something with regard to the likelihood of quotas on coarse grains this fall?—A. That will depend entirely on the country storage position. I will say to the committee that we shall put quotas on coarse grains only if it is absolutely necessary. This is something that cannot be dealt with months ahead. We have to deal with the situation when we realize what our problem is.

Q. With the maximum price on coarse grains this fall I know in our district there will be heavy deliveries of coarse grains?—A. I will put it this way, Mr. Wright: I have been using the word "priorities" and I think from the standpoint of priority of delivery you may regard No. 1 as being flax, because it is an absolute necessity. For No. 2 I would expect you would have a greater demand for oats and barley relative to wheat, so in the order of priority I will put those three grains from the standpoint of dealing with them under the quota system.

By Mr. Ross (Souris):

Q. They will be moved to save space?—A. Yes, but we may have to put on quotas to adjust the storage.

By Mr. Wright:

Q. But that will vary according to the district?—A. Yes, we will deal with districts.

By Mr. Graham:

Q. You have no information yet as to the acreage seeded to flax, coarse grains and wheat?—A. No; I have not.

By the Chairman:

Q. For my own information, Mr. McIvor, what safeguards have you to prevent a man from threshing early in the season and delivering this year's crop on last year's quota? There are districts in Manitoba, for instance, that threshed before the 1st August last year.

Mr. DOUGLAS (Weyburn): He will lose 20 cents a bushel if he does.

By the Chairman:

Q. I want to know if anybody got under the line in the wrong crop season with this year's crop? They had delivered all their old crop in July and started threshing again towards the end of July before your new crop season started?—A. Referring to last year?

Q. Yes.—A. It may be. I do not think it is an important point.

Q. It did not turn out that way when you were able to take all the wheat?—A. Yes. We are doing our very best to see that that is not done this year, because you have the price complication this year.

By Mr. Ross (Souris):

Q. What safeguards have you to prevent a man who has held over last year's crop from marketing some of it as this year's crop?—A. First, we have quite a lot of records dealing with the situation. Second, there is this additional safeguard, that if a man held it over and had a big crop, he would not be able to deliver it at all.

Q. You have a reasonably good record of a man's last year's production?—A. Yes. We have put out several statements on that point, and noticed quite an impetus in the deliveries afterwards

By Mr. Douglas (Weyburn):

Q. One of the main complaints last year with reference to the quality was that so many farmers found the quality was raised a small amount at a time, two or three bushels. On the basis of their acreage it allowed them to deliver a quantity of wheat just below sufficient to get a car, and a lot of these people had to take street prices where normally they had been shipping in carload lots?—A. We realize the problem.

By Mr. Perley:

Q. Did not you reduce it last year?—A. Last year we did try to meet that problem by raising the quotas more than we had done in the previous year, but our chief worry is storage. Last year, as I pointed out previously, we raised the quotas from 5 to 8 bushels, from 8 to 12 bushels, and from 12 to 15 bushels; and on December 4 we opened up all the points. The previous year the carload lot basis was reduced to 750 bushels to take care of the situation Mr. Douglas has raised.

(The committee adjourned at 1.00 o'clock p.m. until 11.00 o'clock to-morrow morning.)

W.D.
A/

CA1

XC12

-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publication

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

WEDNESDAY, MAY 20, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD FOR CROP YEARS 1939-40 AND 1940-41

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board
Mr. R. C. Findlay, Comptroller, Canadian Wheat Board
Dr. D. A. McGibbon, Board of Grain Commissioners, and Chairman of the
Car Control Board
and
Mr. Charles Folliot, Commissioner, Canadian Wheat Board

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

WEDNESDAY, May 20, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Bertrand (*Prescott*), Cardiff, Clark, Cruickshank, Davidson, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Furniss, Graham, Hatfield, Henderson, Leclerc, Léger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McGarry, McNevin (*Victoria, Ont.*), Matthews, Mullins, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Soper, Tustin, Ward, Weir, Wright.—38.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:

Mr. George McIvor, Chairman of the Canadian Wheat Board,
Mr. C. Gordon Smith, Assistant Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller.

The Minutes of the previous meeting held on May 19, were read and approved.

Mr. George McIvor was recalled and further examined.

Dr. T. W. Grindley, Secretary of the Board, was called and examined.

Dr. D. A. McGibbon, Board of Grain Commissioners and Chairman of the Car Control Board, was called and gave the Committee information regarding the allotment of cars for the shipment of the 1939-40 and 1940-41 crop.

Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board, was recalled and further examined regarding the payment of brokerage charges from the Brokerage Pool.

The Committee adjourned to meet again at 4.00 p.m. this day.

AFTERNOON SITTING

At 4.00 p.m., the Committee resumed its sitting. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Furniss, Graham, Henderson, Léger, McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Perley, Rennie, Rheame, Rickard, Ross (*Souris*), Senn, Soper, Ward, Weir, Wright.—24.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the same officials of the Canadian Wheat Board who were in attendance at the morning sitting.

Mr. R. C. Findlay continued as the witness.

Mr. W. Charles Folliot, Commissioner of the Wheat Board, was recalled and further examined.

Mr. George McIvor was also recalled and examined in connection with P.C. 1803, P.C. 1802, P.C. 1801 and P.C. 1800.

The Committee then adjourned to meet again at 11.00 a.m. on Thursday, May 21.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 20, 1942.

The Standing Committee on Agriculture and Colonization met at 11.00 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: If the committee will come to order I will ask the secretary to read the minutes of yesterday's proceedings. (Whereupon the secretary read the minutes of yesterday's proceedings and the same were duly adopted.)

The CHAIRMAN: Gentlemen, yesterday when Mr. McIvor was before the committee we were discussing the elevator agreements with the wheat board for handling the wheat board wheat, and out of that arose a discussion as to the manner in which the spreads between the different grades were arrived at. Is there any further discussion with respect to that particular item? Perhaps we should immediately recall Mr. McIvor to the witness stand.

Mr. GEORGE McIVOR, recalled

The CHAIRMAN: Is there any further information desired with respect to the elevator agreements and the spreads between grades?

By Mr. Douglas (Weyburn):

Q. I believe Mr. Wright wanted some information from you, Mr. McIvor?—A. Yes. We have asked Winnipeg for that information, and it should be here to-morrow morning.

By Mr. Perley:

Q. There are several places in the record of the proceedings where you have agreed to get certain information for us. For instance, at page 87 of No. 3 I asked for the amount of purchases in the months of March and April?—A. That comes under the discussion of Order in Council No. 1803, to which we shall come.

The CHAIRMAN: Can we proceed to the next item, namely, the basis upon which the wheat quota deliveries were arranged?

Mr. McIVOR: Mr. Chairman, there is a book entitled: "A Survey of Farm Acreages in the Prairie Provinces," before you. With the permission of the committee and yourself I would like to ask Dr. Grindley to deal with that subject briefly.

The CHAIRMAN: Is that satisfactory to the committee? (Agreed).

Mr. DIEFENBAKER: If Mr. Findlay wants to get away to-day would it not be better to call him so that he can be allowed to go?

The CHAIRMAN: I think you might have some questions to ask him later in the day.

Mr. PERLEY: We may not be sitting this afternoon.

The CHAIRMAN: What is the pleasure of the committee in that respect? Are there any questions you particularly desire to direct to Mr. Findlay?

Perhaps we had better proceed with Dr. Grindley who, as I may say, the secretary of the Canadian Wheat Board.

Dr. GRINDLEY: This is an explanation of the reason why this report was prepared by Mr. Davidson:—

This report is intended to show in an accurate manner the relative importance of each size of farm unit in each crop district in the west and the 1941 average utilization of farms of various sizes. Incidentally we are frequently asked the questions:—

- (1) How important are small farms or large farms in the west?
- (2) How do cropping practices vary from district to district and by size of farm units?

These questions are answered in detail in the report.

The report also shows the varying importance of wheat by areas. For instance, in crop district 4B of Saskatchewan, wheat acreage was from 48 per cent to 69 per cent of the cultivated acreage depending upon the size of the farm unit. In crop district 5B wheat acreage was from 25 per cent to 32 per cent of the cultivated acreage in the same basis. Incidentally in Crop District 4B, 11 per cent of the farm units were of 160 acres or less while in Crop District 5B, 44 per cent of farm units were 160 acres or less.

We now have definite information in respect to cropping practices in each area on the prairies and at each delivery point. This information will all be taken into consideration in connection with delivery quotas in 1942-43. This report will serve as a starting point in regard to delivery quotas in the new crop year.

If the quota system and acreage control for marketing is continued we must examine all plans in the light of the way in which they will fit into the different areas in the west. For instance, we were worried somewhat last year in regard to the effect of our quotas upon the 160 acre farm and the need of the small farmer for a minimum cash revenue. We found however that relative to larger farms the quarter section man actually fared better.

We will continue to study the acreage structure in the west in order to continually check and re-check the effects of Board policies upon various areas and different sizes of farms. Only in this way will we finally reach the soundest possible plans for the future. A study of this report shows the diverse conditions to be found in the west and the difficulties that must be overcome to find a satisfactory plan which will work in all areas and on all sizes of farms.

By Mr. Perley:

Q. Dr. Grindley, are there more 320-acre farms than any other size?—A. I think the average farm falls something over 320 acres; there are more half-section farms.

Q. Then they go to what, three-quarter sections, and sections-and-one-quarter?—A. That varies with the province.

Q. In the province of Saskatchewan?—A. Yes, in Saskatchewan that is so.

An hon. MEMBER: Are there more 160-acre farms in Alberta?—A. That is right.

By Mr. Senn:

Q. In the committee on Land Settlement the question arose as to the size of the most economic unit. Have you any statement or opinion to offer in that respect?—A. I am afraid that is a little out of our line, Mr. Senn.

By the Chairman:

Q. What are the comparative sizes of farms between the three western provinces? What is the highest percentage of farm acreage in Manitoba, Saskatchewan and Alberta? Has Saskatchewan larger farms than Manitoba?—

A. Yes, that is shown on pages 4, 5 and 6 of the survey. Saskatchewan has larger farms than the other provinces, and has more of the larger farms.

By Mr. Evans:

Q. I suppose in the more or less cereal-producing districts there are larger farm units?—A. Yes.

By the Chairman:

Q. Could you state to the committee in a general way how you started to apply your quota for deliveries last year?

Mr. McIVOR: Mr. Chairman, that was all covered in yesterday's evidence, unless there are some further questions to be asked.

By Mr. Donnelly:

Q. Please tell us, Dr. Grindley, what were the other suggestions with regard to the quotas; first of all, do you remember how they started out?—A. The only other suggestion apart from a quota based on the seeded acreage of 1940 that I can remember was based on the farm or on the quarter-section, both of which we found to be quite impracticable.

Q. Who suggested those?—A. I am not sure exactly where the suggestions came from; they were fairly general.

Q. So much a quarter-section?—A. So many bushels per quarter-section.

By Mr. Evans:

Q. Regardless of cultivated acreage?—A. Yes, regardless of cultivated acreage.

By Mr. Douglas (Weyburn):

Q. I believe you said, Dr. Grindley, in the course of your statement a few moments ago that they were afraid at first that the system might work a hardship on the quarter-section farmer, but found that it worked out quite advantageously to him. Would you elaborate on that, please?—A. I do not think much can be added to that except to say that on an average basis the small farm has usually a higher cultivated acreage and usually a higher proportion of the grain crops, and therefore gets a higher quota.

By Mr. Donnelly:

Q. A smaller farm is more liable to be a mixed farm, and will use grain thereon.—A. Yes, he has that advantage that he does not have to market such a high proportion of his crops.

By Mr. Perley:

Q. I suppose the farmers who are adjacent to the elevators have the advantage over those who are not? For instance, you may be in the second quota and a number of cars may be stationed at a town, so many cars to each elevator. Word goes out that there is more space available and the farmers who are adjacent are handier and can get trucks and fill up the space, while some farmers who are situated farther away cannot get their grain in and are not able to deliver their quota. It works a hardship against certain farmers?—A. That is one of the real reasons why the quota system was necessary, and in increasing quotas at a point we try to make sure that the space is sufficient to take in the full quota of all the acreage, not only those near the towns.

By Mr. Ross (Souris):

Q. When you increase the quota it is based on the available storage space at that point?—A. Yes, for local points.

By Mr. Donnelly:

Q. I understand the pools made a suggestion as to how the quotas should be arranged?—A. I think the suggestion came from two of the pools that it should be based on so many bushels per farm.

Q. Irrespective of the size of the farm?—A. Yes, and that brought out the qualification that put it down to the quarter-section basis; but either one of those systems, it seems to us, would tend to increase the wheat acreage, would be an encouragement to increase the wheat acreage, especially in the mixed farming areas.

Q. Would there be any more difficulty in handling it?—A. Yes, there would be more difficulty in handling it, too; the acreage basis is by far the simplest.

By Mr. Douglas (Weyburn):

Q. You say you think it would have been impossible to have fixed the maximum delivery for the first quarter-section at say 1,000 bushels and to have reduced the amount from each of the succeeding quarter-sections?—A. Yes, that would have led to splitting up the farms, I think. In all those quota systems based on the farm you have to take in account also that there is a large transfer of farms each year. We find that about 1/5th or 1/6th of the total number of farms changes hands each year, and that causes difficulty.

Q. That has been got around by the Prairie Farm Assistance Branch, by insisting on paying on the basis of the previous unit. Any splitting of farms was not recognized by the administration?—A. We still have difficulty in that regard, and I think the Prairie Farm Assistance Branch have, too.

Q. Would that be the only difficulty in connection with the scheme I have suggested?—A. I cannot think of any others offhand.

By Mr. McNevin:

Q. Would not the farm basis quota result in very great inequalities? For example, one man's farm might have only 25 acres of wheat and the other man's farm might have 75 acres of wheat. I think the unit basis is more equal?—A. I am assuming that Mr. Douglas would take into account the record of yield on the farm over some period of years. That, by the way, was another of the faults in the system, because we had no such record and it was almost impossible to secure a record because of the continual transfer of farms from one owner to another.

By Mr. Douglas (Weyburn):

Q. What I had in mind was that the man with only 100 acres under cultivation in 1940 is allowed to deliver a quota for only 65 acres, and in many cases it was found that the quotas were low and the amount of wheat he could sell was so small that he could not meet his obligations, whereas the man with 1,000 acres even on his first quota would be unable to meet his pressing obligations at the time. There was some suggestion that a fairly large maximum should be set, 750 or 1,000 acres for the first quarter, and then a graded amount for the other quarters, getting smaller as each additional quarter was added. So far we have never had any satisfactory explanation as to why that would not be feasible. I recognize the difficulty you mention with respect to splitting farms, but that question was dealt with by the Prairie Farm Assistance Branch and was dealt with by the administration. It was a hardship in the case of a man with 65 acres on a 5-bushel quota?—A. Well, I do think that Mr. Davidson, who prepared this memorandum, is quite right when he says that the small farmer was favoured rather than otherwise relatively to the larger farmer under the quota system because the farms would certainly have been split up if we had allowed a larger quota for the first quarter-section. I do not know what we could have done to control it. We would never know

whether it was a legitimate split-up or whether it was being done just for the purpose of getting around the quota system.

Q. Is it not true as to Saskatchewan that you have had ever since 1939 a record of the number of acreages a man had sown to wheat and coarse grains, and the number of acres in summer-fallow, and the total acreage provided under the Prairie Farm Assistance Act?—A. Yes.

Q. So that you knew what the farm units were and could recognize only the farm units in existence the previous year?—A. I think that would work some hardship on the farm that had to be split up for estate purposes or other reasons. It seems to me that the acreage system is so much simpler that it certainly recommended itself to us. I do not deny that it is not without some local difficulties.

The CHAIRMAN: The chief difficulty was got over after it had been in operation for one year?

The WITNESS: Yes, I think so.

Mr. DOUGLAS (*Weyburn*): The only reason it was got over was that this year the top was taken off, but had it been necessary to stay at a low quota of 5 or 7 bushels the small farmer would have had considerable hardship.

Mr. DONNELLY: I do not think, generally speaking, throughout the country, the small farmer is any more legislated against than the big farmer. The big farmer pays the same percentage of his cost and he has more costs and he has more to sell. He is not in the same position as the small farmer.

Mr. DOUGLAS (*Weyburn*): His cost is on the basis of a diminishing return.

Mr. DONNELLY: I do not see why he is not in the same position as the big farmer.

Mr. WRIGHT: The small farmer has a big family to keep and the big farmer has to keep a family too but he has a bigger acreage with which to do that.

Mr. DONNELLY: And he has bigger taxes.

Mr. WRIGHT: They have not the same expenses, but the small farmer has his family to keep. I know that in my own district we have a tremendous number of small farmers who have been moved from southern Saskatchewan up there on quarter sections of land and they have only got 30 or 40 or 60 acres under cultivation—probably 20 acres in wheat—and they have a family to keep. In the fall of the year there is a quota of 5 bushels to the acre and they have probably 20 acres of wheat. There are 100 bushels of wheat to deliver and that does not begin to buy clothes for the family for the winter.

Mr. DONNELLY: The man who only raises 40 acres of wheat is not a wheat raiser any more than the man with one apple tree has an orchard.

Mr. WRIGHT: Nevertheless, he has to live from the income.

Mr. DONNELLY: He should be feeding things on his farm; he should be going into mixed farming. That is the only way he could make a living.

Mr. WRIGHT: That is all right if he has the stock to raise, but if he has not got that he has to depend on what he sells from his farm, and that is the position those people are in.

The WITNESS: I think it could also be said that on the small farms the average yield tends to be higher and therefore he benefits in that way from the acreage basis.

Mr. WRIGHT: Yes, but if he cannot deliver it he cannot benefit.

The WITNESS: So far he has not suffered.

Mr. WRIGHT: No, but he will suffer this year if there is a good yield and there is a quota. He did not suffer last year because he was able to deliver it all, but when the point comes where he cannot deliver it why he is going to suffer because he has to pay for threshing on it all and yet he is only able to deliver 5 bushels to the acre on a 40-acre crop.

Mr. DOUGLAS (Weyburn): All your argument proves is that he did not suffer because of a freak of nature, not because of the quota system.

The WITNESS: Yes, my statement was in the past tense.

Mr. DOUGLAS (Weyburn): The application of the quota system, had you had to apply it without taking the lid off as you did, the man with the high yield would have been no better off; he would have had to keep that against the yield on his farm.

The WITNESS: We had plans to graduate the quota upward with the yield.

By Mr. Wright:

Q. You had those plans?—A. Yes.

Q. And will they be put into effect this year if there is a quota system?—

A. I do not know on what basis, but we are studying that problem now.

By Mr. Douglas (Weyburn):

Q. Did you have plans last year to do that?—A. Yes.

Q. How would that operate? For instance, a man has 65 per cent of the previous year's acreage; that quota would not be applicable over the whole community, it would depend on the actual acreage for that community, would it?—A. On the average yield at the delivery point. As Mr. McIvor explained to you yesterday, we recognized the fault of this system after we saw the variation in the average yield among the farms at the shipping point.

Q. The plan is to alter that slightly?—A. We are trying to find a way around the difficulty.

Q. There is no plan formulated yet?—A. No.

Q. The plan may work out with observation of the storage space available at the delivery point. The quota may be different in various districts because of the yield in those various districts?—A. That is the plan, yes.

Q. The difficulty would be that if you have two different sizes of farms, one might have a quota of 9 bushels and another might have a quota of 7 bushels, and the two farmers on either side of the border line might have the same crop and one might happen to be in one district and one in another district and there would be different quotas?—A. Yes, that would be possible.

Hon. Mr. MACKINNON: You cannot legislate for each individual farm.

The WITNESS: No, it is difficult.

By Mr. Evans:

Q. Did you experience the same trouble as the P.F.A.A. in establishing a farm unit, in taking advantage of the quota or of the P.F.A.A.?—A. That is one of the advantages in using the acreage basis; it does not matter whether your acreage is tied up in one unit or three, they do not get any advantage out of the delivery quota for being so divided.

Q. Did you have difficulty in splitting up the units and establishing different quotas?—A. No, not under the system we have used.

Mr. SENN: It would not make any difference.

Mr. EVANS: They had that difficulty under the P.F.A.A., and I wondered if it reacted under your system.

By Mr. Douglas (Weyburn):

Q. There is no incentive to split up the farm units?—A. No.

Q. There is under the P.F.A.A.?—A. Yes.

By Mr. Graham:

Q. Generally speaking, over western Canada the size of the farm is dictated by the moisture conditions; that is in the more rainy districts you find the small farmer on a small unit?—A. Yes, generally.

Q. And in the drier district the unit is larger because the yield is more uncertain and there may be a larger unit working in order to produce over a number of years a larger income?—A. Yes.

Q. Is it not true, therefore, that because that small farm, generally speaking, is very certain of rainfall and production, that that is the one farmer who can come out of wheat production and go into live stock production more easily than in the southern districts where the rainfall is light and less certain?—A. I think that is a common belief.

Q. Is it not necessary in establishing a quota system to keep in mind the uncertainty of the districts where the wheat, generally speaking, must be grown because of weather conditions; is it not only fair to keep in mind the uncertainty with which those larger farmers are faced in the matter of production year by year?—A. Yes, that is one of the things that we certainly have to keep in mind.

Q. The board does intend to keep that in mind?—A. Yes.

Q. The whole purpose, of course, of the quota system was to equitably distribute what was proposed to be taken over the whole of the three prairie provinces?—A. Yes.

Q. And I think if I recall correctly there are about 340,000 farms in western Canada?—A. There are that many farmers, but there are not that many marketing wheat; we have only about, I think it is, 225,000 farmers.

Q. Growing wheat?—A. Yes.

Q. And obviously you must keep that in mind in establishing quota systems whether based on acreage or bushelage?—A. Yes.

By Mr. Perley:

Q. Is that in the three prairie provinces?—A. Yes.

Q. Do you know how many there are in Sackatchewan? There are more there are there not?—A. I have not the data, split up among the provinces.

By Mr. Douglas (Weyburn):

Q. Is not there another factor determining the size of farms, and that is the districts in which it is possible to carry on mechanized farming; and in the districts in which it is not possible profitably to do so is not that a fact in determining the advantage of small farms?—A. Yes, the soil and the climatic conditions determine that fairly well.

By Mr. Donnelly:

Q. Did you have much objection from the farmers to this quota?—A. No, I think we have had far more compliments than complaints.

Q. Generally speaking, do you not find that the farmers react to this and think it is a good thing?—A. Yes, that is true.

By Mr. Perley:

Q. In lifting the quota or raising the quota, say, at certain points last fall I can recall that on the C.N.R. there was lots of space but on the C.P.R. east of Regina it was found that practically all the elevators were full and other districts south were getting cars when the quota was being lifted. How do you deal with that distribution of cars?—A. I think that comes up under the next question. That is a problem which does arise with the quota system, the two have to be worked together.

By Mr. Ross (Souris):

Q. Taking this 280,000,000 bushels that should come from the producer if they produced an average of 14 bushels an acre, they may not be able to deliver that 14 bushels in some districts and in other districts they may be able to deliver over that. That is just following up Mr. Graham's statement. Is that possible?—A. It is our hope that we would be able to graduate the delivery quota with the yield.

Q. You would not say that every man growing wheat who can produce 14 bushels would not be sure of delivering at least that much wheat?—A. No, I think that figure would be lower than 14 bushels.

Q. For what reason?—A. I am not sure, but I think the figure that Mr. McIvor gave yesterday was that we would go up to about 7 bushels, certainly.

Q. That is in the first quota. I am talking about his guaranteed quota of delivery for the season. A man is going to plant his wheat this spring and he should have some assurance of at least how much he can deliver. I am not talking about the first quota?—A. That depends upon whether there is to be a restricted quota or not. If there is not a restrictive quota, if the acreage is low enough and if the average yield is obtained——

Q. Let us say for the sake of argument that there are 20,000,000 acres of wheat seeded in the country this year and we have agreed to accept 280,000,000 bushels of wheat, that gives us 14 bushels per acre. Now, on that basis is a farmer sure of delivering 14 bushels if he grows that much?

The CHAIRMAN: Do you mean is every farmer sure?

Mr. Ross (*Souris*): Yes, if he grows that much wheat.

The WITNESS: It is apparent that if you get an average yield on 20,000,000 you would not have a restrictive quota.

By Mr. Ross (Souris):

Q. I am suggesting a supposition, that we have a big crop this year. Now, will one farmer be allowed to deliver, say, 16 or 18 bushels and another man be cut down to 14 bushels—supposing there is a big crop that averages around 20 bushels to the acre?—A. I think Mr. McIvor explained that yesterday in his statement when he said——

Q. I do not think he did. I followed him and I do not think he touched this angle of it.

Mr. DONNELLY: Is it not possible that there might be a large section that would have a big yield and a large section that would only have 5 or 6 bushels to the acre and that other parts might be delivering 16 bushels?

Mr. Ross (*Souris*): I am supposing that on 20,000,000 acres we produce 350 or 400 million bushels of wheat; if we did that would every farmer who produced 14 bushels of wheat be allowed to deliver that?

Mr. DONNELLY: Yes.

Mr. Ross (*Souris*): I am not so sure whether after this discussion he would be able to do it.

Mr. WRIGHT: And the farmer who produces over the 14 bushels per acre would be kept to it. That would not work out fairly for the good crop districts. You would not be able to deliver a percentage of what you had grown.

Mr. Ross (*Souris*): That is not a special privilege in any good farming district. On good land such as you operate, suppose you had 500 acres as your basis for 1940 and you thought that under ordinary conditions, if you produced a crop at all, you would produce 25 bushels to the acre, then you would not seed your whole quota of acreage. If I am operating 500 acres of wheat in 1940 and I feel I can grow 25 bushels I will probably cut my wheat acreage in 1942 and still be able to deliver on that quota.

The WITNESS: I think the point was answered yesterday by Mr. McIvor when he said, "for 1942-1943 we wish to have a quota plan which is equitable and simple, this plan to be used if the marketable surplus of the 1942 crop is larger than 280,000,000 bushels. Having in mind our experience in 1941-1942 the board will work out its per bushel delivery plan as soon as 1942 wheat acreage is known and then we have a general knowledge of the pattern of the 1942 crop." When you take a figure of 14 bushels you take it having in mind

a certain acreage and a certain distribution of the average yields; but we have not got that information in advance and we have to wait until we have it before we decide on the plan.

Mr. Ross (*Souris*): I am basing my statement on the supposition that we have 20,000,000 acres this year.

The WITNESS: That is not known yet.

Mr. Ross (*Souris*): Supposing it to be true, would that be a fair basis to develop it on?

The WITNESS: We have to determine before we can say that a farmer can deliver 14 bushels—we have to know how many acres there are in the 5-bushel yield or the 3-bushel yield.

Mr. Ross (*Souris*): I think that is why that quota should have been announced to the public before seeding.

Hon. Mr. MacKINNON: You cannot do it.

Mr. Ross (*Souris*): If you do not do it that plan is not very effective, because as I say this man with his 500 basis for 1940, if he was not sure you were going to work this quota he would seed all he was allowed to; if you had this quota system announced in the spring it would help out the government in their desire to have more coarse grains produced and that man would reduce his wheat acreage all he could, realizing that he had better land than his neighbours. He would produce what he felt he could deliver on, and that scheme would be much more satisfactory. Had they known that, your wishes would have been gratified in the changing over to coarse grains.

Hon. Mr. MacKINNON: I appreciate that, but the weather conditions have such an enormous effect.

The WITNESS: I think you are quite right, Mr. Ross, if the quota scheme could be given in advance it would be an advantage, but it cannot be done.

Mr. Ross (*Souris*): Even if it cannot be done now, if you inject some new scheme it will probably have this other effect next spring that those people are not going to take any chance again, and there will be a handicap in the following season.

Hon. Mr. MacKINNON: Yes.

Mr. QUELCH: I think that the quota system as established by the wheat board has been one of the most satisfactory features of the whole agricultural program. I have had no complaints, and I hope they will continue the whole system as in the past. As far as a quota system is concerned, I don't see how you could establish a quota system and deal satisfactorily with a unit that is uneconomic. The quarter section farmer will have to depend upon stock. I do not think we should lay over-emphasis on that small farmer, because he is not a grain farmer.

Mr. McNEVIN: If, in the experience of the board, the system has been satisfactory, I do not think we are adding anything to the work of the committee continuing this discussion.

Mr. DOUGLAS (*Weyburn*): You have not got the point. We are not objecting to the acreage system, we are discussing the new feature it is proposed to add, that we shall not only compute on the basis of previous acreage but also there shall be another calculation in addition based on the yield for this particular year.

The WITNESS: It is only in the event of a restrictive quota, and it was planned for last year, as Mr. McIvor said, and we found after working with it that it would not have been possible to make it applicable on the basis we planned. All we plan to do for 1942-1943 is to try to improve on the method we had worked out for 1941-1942.

Mr. DOUGLAS (*Weyburn*): If you find it is not equitable it will not be applied and, as you found last year, you will simply leave it on a straight acreage basis.

The WITNESS: Yes. I do not think we would do anything if it is not equitable.

The CHAIRMAN: The only time when anything of that nature arises would be in the event of having a crop that is substantially over 280,000,000 bushels to be delivered; if it is less than that there is no difficulty.

The WITNESS: Yes.

Mr. WRIGHT: I think the quota system is the only system if we have a reasonable crop. I agree that you have to allow some percentage on yield. I think yield should be taken into consideration as well as acreage in arriving at the quota, and I am wondering if it would not be possible if you accepted, say, 7 bushels on your first quota that then when the man registers the total amount of wheat he has for sale and when he applies for his quota book he knows the total amount that he has to deliver—

The WITNESS: No, I do not think that is in the book.

Mr. WRIGHT: It would be possible to put that in the book.

The WITNESS: You could arrive at it by multiplying his seeded acreage by his average yield.

Mr. WRIGHT: When you are issuing the book that could be stated in the book, that when the man obtained his book in the fall he knows what he has threshed and he knows what his yield is likely to be, the number of bushels of wheat he is likely to have to deliver in his crop that year.

The CHAIRMAN: In most cases he has not threshed.

Mr. WRIGHT: He can estimate it pretty closely then. When he has applied for his book he knows what his crop is going to be, and supposing your first quota was 7 bushels to the acre, then any deliveries made after that could be taken on a percentage basis on the amount he had to deliver. If he had room for so many bushels of wheat each man would be able to deliver 5 per cent of what he had remaining or 10 per cent, depending on the amount wanted. Would a quota system not be workable on that basis?

The WITNESS: There are a great many variations of the present system that could be worked. We are trying to use all the information we can get to make the system fair.

The CHAIRMAN: Now, gentlemen, are there any other questions you wish to ask this witness:

By Mr. Perley:

Q. Dr. Grindley, if you found that there had been considerable increase in the seeding of coarse grains this year and there is a good season you may have to arrange a quota for the coarse grain; and would that not affect your wheat quota?—A. Yes.

Q. It will all depend upon space, to a certain degree, that is available to take it in?—A. Yes.

Q. Have you given any consideration to the coarse grain quota?—A. The only consideration we have given to it is that we have decided that we will not put it into effect unless we absolutely have to.

Q. I have another point with regard to the allotment of cars—

The CHAIRMAN: Can we let that go and come to the next item and discuss the whole thing and let Dr. Grindley leave the stand? Could we proceed with the next item. Thank you Dr. Grindley. You may retire.

In regard to the distribution of cars to elevator companies, Mr. McIvor will give you a general statement of the policy that has been pursued.

Mr. McIVOR, recalled.

The WITNESS:

In 1940-41, the distribution of cars at each elevator point was made by the car control committee, headed by Dr. MacGibbon, on the basis of the permanent storage space at the point according to the December, 1939 list of the Board of Grain Commissioners. A 30-car cycle was used in the allocations and out-of-turn cars were provided for the mill shipments and shipments to Duluth. The argument for the use of such a basis in that year was that storage space was the limiting factor in deliveries and the car allotment system had to be adapted to make the most effective use of storage in the farmers' interest. The Canadian Wheat Board decided which elevator points should get cars and how many — this board control was necessary to make the quota system effective. If it had been left open to the railway companies, competing for business, certainly space would not have been so fully utilized. The situation in 1940-41 was that the Canadian Wheat Board decided how many cars were placed at an elevator point; then the car control committee regulated the division of the cars among the elevators at the point.

In the 1941-42 crop season it was necessary for the board, due to the limitation of deliveries and the changed system of deliveries to take over the allocation of cars not only to the points but to the elevators, and on the 31st July, 1941, we issued a statement which says:—

After careful consideration the board has decided that no definite decision on the system of car distribution can be arrived at until the size of the crop is more definitely known. Meantime, it is the intention of the board to continue the system instituted by the car control committee, presently in effect.

It is pointed out in this connection that there is a considerable number of stations at which companies are ahead or behind on their proper share of cars on the thirty-car cycle.

This condition has occurred as a result of cars being authorized for various purposes, such as the movement of out-of-condition wheat, to permit elevator repairs, or for the movement of low grades, etc. It is hoped that by continuing the present car cycle temporarily after July 31st that these differences will be adjusted.

There are some elevators which were not operated last year, consequently they were not included in the car cycle. If these are to be operated this year companies should advise the board in order that such elevators may be included in the cycle after August 1st.

Then on the 7th October, 1941, the board issued this statement:—

Effective Tuesday, October 7th, the allocation of cars will be made by the railways and in accordance with the terms of the Canada Grain Act. Elevator companies or individuals requiring cars for the shipment of wheat must apply to the railways who will be responsible for distribution. Pursuant to this decision the board has instructed the railways to give preference to shipping points where space is now required, or may be required in future, to permit the delivery of the established general quotas.

The board has made a thorough examination of the whole problem of car supply for the crop year 1941-42, and is of the opinion that the usual method of effecting distribution of cars will meet the situation during the present crop year. The thirty-car cycle was introduced in 1940-41 to meet the car supply problem in the face of limited available storage capacity and a crop estimated at 525 million bushels. It was

an emergency measure. The board believes there has been sufficient change in the situation this year, particularly as a result of a much smaller crop, to permit return to the usual method of car distribution in western Canada.

This decision applies for the balance of the crop year 1941-42, only, and will be reviewed before a policy in respect to the 1942 crop is decided upon.

Since the quota system for regulating deliveries was adopted over a year ago, the board has consistently followed the policy of seeing that shipping points were given preferred treatment where producers were unable to deliver the general quota as established from time to time. This policy was absolutely necessary last year and is necessary this year, in order that all wheat producers may at the earliest possible moment have the opportunity of delivering wheat up to the extent of the general quota in effect. Within this general policy the board will continue to meet special conditions which may arise as a result of such factors as the necessity of finding storage space and cars to move out-of-condition wheat.

By Mr. Donnelly:

Q. Give us the names of the car control committee?—A. Dr. MacGibbon was the chairman of the committee and he is here. I prefer that you ask him that question.

Dr. MACGIBBON: I think I have all the names here.

Mr. DONNELLY: Who appoints them?

Dr. MACGIBBON: They are elected to represent each interest.

Mr. DONNELLY: By whom?

Dr. MACGIBBON: In certain cases the line elevators and other interests nominate their own candidates. The names are as follows:—

Dr. D. A. MACGIBBON.....Board of Grain Commissioners

Mr. G. W. P. Heffelfinger..Line Elevators.

Mr. W. A. Bremer... ..United Grain Growers, Ltd.

Mr. D. A. Kane... ..The Wheat Pools.

Mr. A. Yates... ..The Canadian Wheat Board.

Mr. H. C. Taylor... ..Canadian Pacific Rly. Co.

Mr. W. C. Owens... ..Canadian National Railways.

Mr. C. C. Head... ..Lake Steamships.

Mr. W. A. Hastings... ..Millers.

Mr. W. McG. Rait... ..Line Elevators.

Mr. F. N. McLaren... ..Saskatchewan Pool.

Mr. DONNELLY: How many in all?

Dr. MACGIBBON: Eleven members in all.

Mr. DONNELLY: Is that committee still functioning?

Dr. MACGIBBON: No.

Mr. DONNELLY: It went out of action when?

Dr. MACGIBBON: A year ago, or July 1941, I should say.

Mr. DONNELLY: Who is doing the work now, the wheat board itself?

Dr. MACGIBBON: Yes.

Mr. DONNELLY: The wheat board itself does that work?

Dr. MACGIBBON: Perhaps I should explain, as read by Mr. McIvor, that with the disappearance of the emergency condition the distribution of cars is under the car order book and is carried on under normal circumstances.

Mr. DONNELLY: How is this distribution made in this cycle? You speak of a car cycle.

Dr. MACGIBBON: It is made on the basis of permanent space at each point.

Mr. DONNELLY: A certain number of cars would go to each place?

Dr. MACGIBBON: Suppose you had three elevators of 30,000 bushels capacity apiece, then of the first 30 cars put in there each elevator would get ten cars.

Mr. DONNELLY: Distributed equally to the elevators?

Dr. MACGIBBON: No; each got cars in proportion to the capacity of the elevator.

Mr. DONNELLY: Was any consideration given to the annexes?

Dr. MACGIBBON: Not the temporary annexes, except that you might have outside the quota inter-station transfers subject to the approval of the wheat board.

Mr. DONNELLY: Was any consideration given to the amount of wheat that generally was handled by each elevator?

Dr. MACGIBBON: No.

Mr. DONNELLY: It was done entirely on the size of the elevator?

Dr. MACGIBBON: Yes. A committee was set up about the 21st August after the crop was actually ripening very fast. Anything of that kind probably would have required a statistical investigation which would have taken several weeks to complete, and under the emergency conditions then prevailing that was not possible. When the matter was discussed in the committee the deciding factor was the absolute statement of the representatives of the two railway companies, Mr. Owens the western manager of transport for the Canadian National Railways, and Mr. Taylor, for the Canadian Pacific Railway Company, that any other basis except one that could be easily physically checked would be impossible.

Mr. PERLEY: Would not that work discrimination against certain parties?

Dr. MACGIBBON: Even now it would work discrimination at a local point.

Mr. PERLEY: After they were all full it would work all right.

Dr. MACGIBBON: You get at various stations one elevator that perhaps handles more than the average proportion and it would work against that elevator; but at another point the agent of another company would have the advantage, although it did not work 100 per cent that way. I think the Saskatchewan Pool suffered a slight loss in their proportion of business, but on the whole, having regard to the fact that there are 2,000 points what the elevators would lose at one point they evened up at another point.

Mr. DOUGLAS (*Weyburn*): The committee was appointed when?

Dr. MACGIBBON: August 14. The organization meeting was held on August 16, and the question of the principle of distribution was threshed out.

Mr. DOUGLAS (*Weyburn*): Who set up the committee?

Dr. MACGIBBON: The committee was set up largely by myself. I was appointed to succeed Mr. Ramsay, who had expected to take it as the representative of Mr. Lockwood of the transport control committee of Montreal. This committee was set up really as an advisory committee. The people on it could not vote down the chairman. The understanding was that if there was any irreconcilable difference developed it would be submitted to Mr. Lockwood under the order in council by virtue of which he was operating to make a decision; but there was only one formal decision made by me that the committee did not completely agree with.

Mr. DOUGLAS (*Weyburn*): Have you any idea why the committee was not set up earlier, in view of the fact that it might be necessary to secure statistical information?

Dr. MACGIBBON: I did not know a thing about it until I was called in to take the chairmanship.

Mr. DOUGLAS (*Weyburn*): Who was responsible for calling you in, the wheat board?

Dr. MACGIBBON: No. Mr. Ramsay, the Chief Commissioner, was in the east on other business, and I think the situation suddenly became threatening and it was discovered necessary to have some kind of car control committee and Mr. Lockwood asked me to take charge of it.

Hon. Mr. MACKINNON: Who is Mr. Lockwood?

Dr. MACGIBBON: The Transport Controller.

Mr. DOUGLAS (*Weyburn*): Apparently Mr. Lockwood took no action until the committee was set up.

Dr. MACGIBBON: I do not know, other than that I did not do so.

Mr. DOUGLAS (*Weyburn*): If you could compute the car allotment on the basis of past business handled, why was the temporary storage capacity not included when allotting cars?

Dr. MACGIBBON: There were quite a number of difficulties because different firms and organizations pursued different policies with regard to where they were putting their capacity. Certain companies bulked it at certain points, and others put it up against elevators; they would all have the equivalent amount of temporary storage, but certain of them would not benefit while others would. The second point was that the temporary storage capacity was just being built, and one would have to deal with corrections and new storage capacity coming in.

Mr. DOUGLAS (*Weyburn*): Had the Saskatchewan Pool, for instance, not built a great deal more temporary storage in proportion to the size of the business?

Dr. MACGIBBON: I think so.

Mr. DOUGLAS (*Weyburn*): But they did not get any credit for that temporary storage on the basis of allotment of cars.

Dr. MACGIBBON: Not directly. They got two things out of it: first of all, they could fill it. Secondly, by keeping inter-station shipments out of the quota if they had a large temporary storage at certain points they could relieve a point by shipping to that temporary storage.

Mr. DOUGLAS (*Weyburn*): Is it a fact that what actually happened in the case of the farmer-owned elevators in Saskatchewan was that the farmers found they could not take their wheat to their elevators and had to take it to competitors and pass by the elevator they had built.

Dr. MACGIBBON: Yes. And you might say that the Saskatchewan Pool by reason of the general conditions might be benefiting at 50 points and at 25 or 50 other points might be suffering. We would hear about the 25 or 50 points at which they were suffering, but we would not hear about the 50 points at which they were benefiting. Averaging the whole thing out throughout the year, however, I think there was about 2 per cent or 3 per cent, speaking subject to memory, of course, loss in proportion to the grain they handled. That is, they handled a great deal more grain than they handled in any other year, but they handled about 41 per cent under the quota rather than 45 per cent or 46 per cent in the preceding year.

Mr. PERLEY: In the second year on October 7 was there a change in the system of allotting cars to elevators?

Mr. McIVOR: That was our order. I think probably this is where we come into the picture. I presume you refer to October 7, 1941?

By Mr. Perley:

Q. Yes?—A. Dr. MacGibbon was dealing with the situation up to July 31, 1941.

By Mr. Donnelly:

Q. And you held on from July to October and right along?—A. Yes. There was a considerable amount of discussion in the country about how cars should be distributed. We had hundreds of petitions from the province of Saskatchewan asking that cars be distributed on the basis of the permanent storage plus the annex space. Previous to that we had several meetings with the officials of the Saskatchewan Pool at which they said the farmer should have his rights under the Canada Grain Act; that his rights had been taken away from him, but they did not feel that that was practicable, did not feel that a proposal based on an average of previous years' handlings was practicable.

By Mr. Douglas (Weyburn):

Q. That the pool officials did not think it was practicable?—A. Yes; and the recommendation they made to the board was that the board should distribute the cars on the basis of the permanent storage plus the annex.

Q. Temporary storage?—A. Yes. These resolutions we received—and we received several hundreds of them—demanded the return of the farmers' rights under the Canada Grain Act.

By Mr. Perley:

Q. That is, to ship to his own order?—A. Yes. So we decided that we would consider the position very carefully before making a decision, and we found that the situation on the 7th October was such that those rights could be returned.

Now, there is a point I would like to make, Mr. Douglas, in line with the question you asked Mr. MacGibbon: As I said in my statement, and Dr. MacGibbon confirmed it, the actual number of cars that would go to a point would be decided by the wheat board and the reason the wheat board had to decide that was because they had the responsibility of raising the quotas where they could; and it naturally follows that if, due to competitive conditions, cars were put into a point where 10 bushels had been delivered and withheld from a point where only 5 bushels or even less bushels had been delivered, it would be a clear case of discrimination between points. Arising out of that point made by Mr. Douglas, there were cases even in the fall of 1941 where the pool elevators was filled at the point and there was space in other elevators and the farmers would deliver to the other elevators because they could not deliver to the pool elevators and could not get cars.

I want to point out also that the reason cars were not going into point No. 1 was because at other points down the line not only the pool elevators were filled but every elevator was filled, and the farmers had not yet delivered their quota. I put that frankly to the officials of the Saskatchewan pool and said to Mr. Wesson—and I have no doubt he will confirm what I say—"if you were in the position of the wheat board and had the choice of distributing these cars between point "A" where the pool elevator is filled and other elevators not filled, and the point "B" where every elevator is filled and the quota is not yet delivered, what would be your answer?" He said: "There would be only one answer: I would have to put the cars into point "B".

By Mr. Perley:

Q. Perhaps you are aware of this situation: On the C.N.R. east of Regina there was space all season. They were all shipped out, and still we had not

delivered our second quota in our town, and that applied all along the main line?—A. The reason for that was that the Canadian National had a lighter crop relative to the Canadian Pacific in this past year. That is the situation. The result was that it provided a greater surplus of cars. It did undoubtedly result in the situation you are talking about, but it could not be helped.

By Mr. Douglas (Weyburn):

Q. Did you accept the recommendation of the wheat pool, namely, that the temporary storage should be included with the permanent storage?—A. On October 7 we restored the rights of the farmers under the Canada Grain Act.

By Mr. Ross (Souris):

Q. When you answered Mr. Perley's question did you mean that the C.N.R. had a relatively lighter crop on their lines all through the west and not on this particular line?—A. Yes. I am sorry if I did not make it clear.

Mr. ROSS (*Moose Jaw*): He did make it clear.

Mr. PERLEY: No; he did not make it clear.

The WITNESS: I want to point out that if you have a light crop on part of the line, whether C.N.R. or C.P.R. due to the lower movement from the light crop points there are more cars available for the heavy crop point.

By Mr. Donnelly:

Q. Taking into consideration the temporary storage you had, what was the essential you asked each one of those to have before you could consider it? It had to be loading facilities, had it not?—A. I presume you are referring to Mr. Douglas' question. My answer to his question was that the rights of the farmer were returned to him under the Canada Grain Act.

Q. I know that; but you stated that in the distribution of cars it was the local storage that was considered. You did not take into consideration the temporary storage. What was the restriction with regard to temporary storage—loading facilities?—A. No. We considered it was our duty to get in the first quota all over the country, whether 5 bushels or 8 bushels or whatever it was. Now, if there was a point where the deliveries had not reached 5 bushels we put the cars in there.

Q. But I am asking about your temporary storage. When did temporary storage become permanent storage?—A. I do not think it has become permanent storage yet.

Q. Would it become permanent storage if there were loading facilities from it?—A. Those licences are issued by the Board of Grain Commissioners. I think that is the case, but I would prefer that they answer that question. I do not know where the board would differentiate between temporary and permanent storage.

Q. As I understood, while they may have a bin built for temporary storage, yet in a large majority of villages a lot of old barns and former garages were loaded with wheat, and they would have to be taken into consideration, too, if you were going to consider the local storage facilities?—A. In discussing this question with the pool that was one point that was raised; where you were going to start to recognize temporary storage as permanent storage.

By Mr. Douglas (Weyburn):

Q. It would be very difficult to recognize simply an annex built on a railroad siding. Would it be possible to give any idea as to what policy would be followed this year in the allocation of cars?—A. No. I think the wise policy would be to wait and get some idea about the pattern of the crop, and try to adjust the situation accordingly.

Q. Can we get any assurance that the same situation will not obtain again, and that in the allocation of cars temporary storage will be taken into consideration? There is an elevator company that spent a considerable amount of money at the suggestion of the Dominion government in putting up temporary storage, and then found that it is not included in the allocation of cars. In view of the fact that you have quoted the request of the pool with regard to the inclusion of temporary storage in the allocation of cars as against putting it on the basis of the previous year's business, it would seem that you were looking with favour on the proposal of the pool? Is it the intention of the wheat board to adopt that policy?—A. No. I do not think I said anything that would lead anyone to arrive at that conclusion. I said the pool officials had asked that the temporary and permanent storage should be included, but that the petitions which we got from all over the province of Saskatchewan went further and asked for the rights of the farmer under the Canada Grain Act, but we made no decision until the position became clear and we felt that we could re-establish those rights under the Canada Grain Act.

Q. By that time, of course, a lot of wheat had been delivered?—A. Yes. But I also said this, Mr. Douglas, and I would be glad to have you confirm it with Mr. Wesson, that we discussed it with the pool officials and they recognized that the points that had not delivered their quotas would have to be taken care of irrespective of storage at the point. In other words, that you could not have a situation arise such as I stated as between two points.

Q. I agree with you and I do not need to confirm what you have said with Mr. Wesson or anybody else, but it does not alter the main point. First you referred to where some elevators were full and others not quite full, but that does not obviate the criticism that in allocating the cars to point "A" if the pool elevator had been doing the great majority of the business and had temporary storage that temporary storage had not been included in allocating the cars, and it should have had more cars in relation to elevators in that district when first allocated?—A. There were no cars at point "A" at all.

Q. You mean no cars had gone in at any time?—A. No.

Q. Then it would not be a matter of either/or, either sending them to point "A" or to point "B"? It seems to me that in that case point "A" would have a claim on some cars and some other cars would go to point "B"?—A. That is probably a matter of opinion, but I want to say that the pool themselves agreed that so long as you had a congested situation at point "B" and the farmers had not been able to get their wheat in at all, the cars should not be sent to point "A".

Q. You cannot quote the wheat pool's proposals when you want to agree with them and reject the alternative proposals when you do not agree with them. If you are going to accept their proposal about sending in the cars, then you should accept the other proposal that is going to include temporary storage in allocating the cars?—A. In reply to that question, unless something unforeseen arises that we cannot anticipate now, our policy would be to continue under the present system.

Q. The present system of giving them their rights under the Canada Grain Act?—A. Yes. I want to make that position clear. That is as far as we can go today.

The CHAIRMAN: Are there any other questions to be asked on this matter? Shall we call it closed for the time being? (Agreed). That completes the agenda so far as the general matters are concerned.

Mr. DOUGLAS (Weyburn): We are coming to order in council No. 1803?

The CHAIRMAN: Yes, we shall come back to that. Does any member of the committee desire to secure any further information from Mr. Findlay?

Mr. DIEFENBAKER: I would like to do so.

The CHAIRMAN: Shall we bring Mr. Findlay back?

Mr. GRAHAM: It has impressed me as I have sat here, Mr. Chairman, that we are holding a very important body of public servants here for a considerable length of time. All of us are interested in the welfare of our western farmers, and I submit that the wheat board and also the Board of Grain Commissioners should be enabled to get back on the job as soon as possible. I suggest that the committee consider just how we can facilitate the return of these gentlemen to their pressing duties. A lot of us feel we are not getting very far.

Mr. DOUGLAS (*Weyburn*): Hear, hear.

Mr. ROSS (*Souris*): We are all agreed on that point.

Mr. GRAHAM: It is in the interests of the three western provinces that the wheat board should get back on the job as quickly as possible.

The CHAIRMAN: Is the committee agreed to recall Mr. Findlay for further questioning at this time? (Agreed).

Mr. R. C. FINDLAY, recalled.

The CHAIRMAN: What is the wish of the committee? Do you want to go over these annual statements of the wheat board item by item, or do you prefer to pick out certain matters that you desire to have explained? It will be noted in the reports that rather complete explanations are given with respect to each item. How does the committee desire to proceed? May I have some advice on that point?

Mr. DIEFENBAKER: Is there any suggestion that there is to be any restriction as to the matters that may be covered?

The CHAIRMAN: No; but in order to regularize the procedure I desire to know if the committee wishes to go over and have an explanation of each item as we come to it, or would the committee prefer to pick out certain items and make inquiry with respect thereto? I understand that when the railway commissioners are before the committee they go over each item. What is the wish of the committee? Perhaps you prefer to ask questions? (Agreed).

By Mr. Diefenbaker:

Q. Mr. Findlay, I desire to ask you a few questions arising out of a matter that was put to you in regard to these brokerage payments. At page 92 of the proceedings I asked this question:—

Are there any payments made for brokerage without brokerage slips being completed?

and it was answered:—

A. I think you had better ask Mr. Findlay that question.

Originally that question was directed to Mr. McIvor, and you answered:

“No”? A. That is correct.

Q. Now, do these brokerage payments represent any deduction from the amount realized on the sale of wheat by the wheat board? In other words are they part of the expenses?—A. They are part of the expenses, Mr. Diefenbaker, but in computing the sales price of wheat you generally allow for all extraneous items in addition to the value of the wheat itself. In other words, you generally sell at a premium over the market to provide for those expenses.

Q. That is what I understood you to say. So that in reality if it were not for these brokerage charges and such other expenses the price would be actually higher than the amount realized, is that correct?—A. To the producer?

Q. Yes?—A. I do not think so. If you take all the charges that go into making up the price of wheat, and if you did not have the machinery or the mechanics for selling wheat in that way, which I think is the convenient way to

sell it, I do not think your argument would apply. That is merely a matter of opinion.

Q. But the price actually paid to the board is less the amount that would be realized if the brokerage were not deducted therefrom, is that correct?—A. That is, the amount is less?

Q. You figure the price less the amount paid for brokerage?—A. I think I would answer that question in this way, that if I am selling a product of any kind and the cost of the product is so much and I add certain costs to it and I have covered those costs, I do not think I have affected the price of the wheat or the product.

Q. In determining the question of brokerages do you consult with Mr. Pethick?—A. Merely in the final amounts that are to be paid. I know generally the principle. It is discussed in the board room each and every month, but I am not always there.

Q. But you say that in discussing the amounts finally paid you do give consideration to the matter with Mr. Pethick?—A. In a general way.

Q. Just tell us what the general way is, and what considerations enter into the determinations of the amounts?—A. I know that each and every month in connection with the head of our Option Department he checks over the various brokerage accounts and agrees on the accuracy of the accounts.

Q. So you check the amounts of the accounts rendered to you in order to ascertain whether or not they represent actual services rendered?—A. Yes, we check all accounts.

Q. Take Account "A". The brokerage slip says the man is entitled to \$1,000 for the month of May, let us say?—A. Yes.,

Q. Do you examine the account in detail to see whether or not \$1,000 was in fact earned?—A. I do not do it myself, but we do do it.

Q. Who does that?—A. Mr. Blake who is in charge of our futures department.

Q. And you accept the mere statement that it has been done?—A. Yes, because we know each day who the business comes through.

Q. So that you also have a check of what is done each day?—A. Yes.

Q. Now, Mr. Findlay, if I put it to you that in one case the amount actually earned for brokerage during the month was \$200 and the amount of the cheque issued was \$300, would you tell me how a thing like that would happen, how it would pass your check-up that you say you made on the basis of each individual day's operations?—A. I could tell you that quite simply.

Q. Then tell me?—A. We know, as I mentioned before, with whom each trade is made, and if we get the broker's slip covering that quantity and it agrees with the trades he has made, certainly we pay it.

Q. So there is no mistake about it at all that in no case has brokerage been paid except for the services rendered each individual day?—A. Subject to the explanations that Mr. McIvor made to the committee with regard to the pooling of brokerage.

Q. Tell us about pooling of brokerage as it affects you?—A. It does not affect me at all.

Q. You know that in addition to the payment for services rendered each day there is a pooling in general of brokerage charges?—A. Yes.

Q. To what extent?—A. I do not know to what extent.

Q. You are the comptroller who looks after the money?—A. Mr. McIvor has explained that point to you.

Q. You are in charge of the money?—A. A comptroller will pay a cheque over for brokerage or anything else that is actually earned, covered and cleared by that particular broker.

Q. But how about pooling? You say subject to this there is a pooling of brokerage charges. How do you know how much any particular person is to get

on the basis of the pooling of the brokerage charges?—A. I know because it is agreed upon.

Q. By whom?—A. By the board and by Mr. Pethick.

By Mr. Douglas (Weyburn):

Q. Who is Mr. Pethick?—A. The sales manager.

By Mr. Diefenbaker:

Q. So that in addition to the payments actually made to the individual for the services rendered there is an amount pooled among the various brokers?

By Mr. Evans:

Q. In addition?—A. Yes, that is correct.

By Mr. Diefenbaker:

Q. So you have to accept the recommendations of the board and of Mr. Pethick at the end of each month as to the amounts to be paid in connection with the pooled brokerage charges?—A. No. I accept the allocation of the brokerage as described by Mr. McIvor here, and pay accordingly.

Q. You accept the allocation made by the board in co-operation with Mr. Pethick?—A. Yes, if you put it that way.

Q. That is your position?—A. Yes.

Q. And who gives you the instructions as to how much of the amount pooled is to be paid to "A", "B", "C", and "D" or to these various brokers of the pool?—A. I would see a list every month of how the allocation was to be made.

Q. Who has that list? Where do you see it? In whose possession is it?—

A. That would be prepared by Mr. Pethick.

Q. Is this list prepared at the beginning or the end of the month?—A. I think Mr. Pethick will probably keep that daily.

Q. When is it delivered to you so that you can check it?—A. All brokerage accounts come in once a month and we know from day to day which particular brokers are putting through the grades.

Q. But who gives you the record of the amounts that have been pooled and the distribution to be made? Is that done by Mr. Pethick?—A. Yes.

Q. And does the wheat board meet with you and Mr. Pethick at any time in the determination of the amounts to be allocated to the different brokers?—A. Sometimes, yes; and as I mentioned before, I am not always in the board room.

Q. But you are there from time to time?—A. Yes.

Q. And is the entire board questioned, or just one or more members?—A. It depends on the circumstances.

Q. And what is the procedure? Do you go through the list and say that "A" is to receive so much this month, and "B" so much, and "C" so much, and so on?—A. I think they have a record of the trades which are actually put through for the month. The other part of the answer to that, I think, Mr. Chairman, should be made by members of the board.

Q. You are present?—A. Sometimes.

Q. You would not make other than proper payments?—A. No; but as I mentioned before I know each day which brokers are making the trades for our account, and those brokers are entitled to the brokerage.

Q. To the amount that they actually put through?—A. Yes.

Q. But in regard to the amount that is pooled you accept in the allocation of the various amounts among the brokers the report that is furnished to you by Mr. Pethick?—A. Yes.

Mr. Ross (*Moose Jaw*): Has all this questioning anything to do with the producers?

Mr. DOUGLAS (*Weyburn*): It is the producers' money.

Mr. Ross (*Moose Jaw*): It will cost the producers the same amount of money, anyway. You are questioning the witness as to who gets the brokerage.

Mr. DOUGLAS (*Weyburn*): It is interesting to learn how the spoils are divided.

Mr. Ross (*Moose Jaw*): You seem to be very interested in brokerage.

By Mr. Diefenbaker:

Q. Is there a different allocation made of the allotment each month or is the allotment always the same?—A. I would not say the allotment was always the same, no. I would like to draw attention to a statement Mr. McIvor made and explained, I think quite clearly, to the effect that a very large percentage of our brokerage has to do with spreading operations, and that the companies have the privilege of nominating the broker. I think that same thing applies in the case of trades in cash wheat.

Q. You do not know that?—A. I would not say definitely offhand, but I am quite sure they do.

Q. That is only your opinion?—A. Oh, yes; I would not swear to it.

Q. And you are sworn before this committee. Take the amount mentioned in Exhibit "D" in the report of the Canadian Wheat Board on the crop year 1939-40:—

Brokerage and Clearing Association charges, \$389,236.78.

That is for the 1938 crop?—A. Yes.

Q. Now, would you be kind enough to give us a breakdown on that showing how much is brokerage and how much is clearing association charges?—A. I think I can do that.

Mr. DOUGLAS (*Weyburn*): There is another example in Exhibit "E".

The WITNESS: Since I have the items totalled do you mind taking the three periods combined?

By Mr. Diefenbaker:

Q. Take the total amount of brokerage paid within a given period?—A. In the period August 1, 1938 to July 31, 1941, if you combine the three figures shown in these statements you have a total of \$1,048,154.64.

Q. So that in a period of about three years the amount expended is just over \$1,000,000 for brokerage and clearing association charges?—A. Yes.

Q. How much for brokerage? I want the complete breakdown?—A. The futures brokerage is \$620,275.50, and I have not the figure here but almost exactly 80 per cent of the total of that figure represents spreading operations, and the total amount of clearing association charges for that period is \$11,689.28.

Q. How is the rest of the \$1,000,000 made up?—A. The rest is made up of cash wheat brokerage.

Q. That is approximately \$417,000?—A. Yes.

Q. Now, of the \$620,000 what portion represents brokerage and what portion represents the other elements making up the spread, or is that entirely brokerage?—A. That is entirely brokerage.

Q. What portion of the \$620,000 represents the amount pooled?—A. 80 per cent of the amount I have quoted to you; 80 per cent of the \$620,275.50 is covered by spreading operations; for part of the period there would be a pooling operation described by Mr. McIvor and in large part the brokerage would be nominated by the other party to the spread.

Q. So 80 per cent would be about \$496,000?—A. Yes.

Q. So about \$124,000 during that period representing pooled brokerage was distributed in the manner you have told us?—A. No; the balance represents pit brokerage, the sale of futures, and so on.

Q. The balance represents pit brokerage?—A. Yes.

Q. Was any portion of the brokerage paid to brokers not resident in Winnipeg?—A. I do not think so.

Q. Can you say that with certainty?—A. I beg your pardon, yes, that includes brokerage paid at our Calgary office and in Vancouver for the same transactions, cash wheat.

Q. Let us have a breakdown of that. How much of the amount was expended in Winnipeg, how much in Calgary and how much in Vancouver?—A. The amounts expended were:—

Winnipeg.....	\$330,723 91
Calgary.....	\$ 14,309 00
Vancouver.....	\$ 38,233 15

There is another item of \$13,462.91 in which there may have been some eastern brokerage, and I think likely there was, but I have not got the breakdown of that.

By Mr. Ross (Moose Jaw):

Q. Is that cash wheat brokerage?—A. Yes.

By Mr. Graham:

Q. There are two types of brokerage fees, the futures spread fee and the cash wheat brokerage fee?—A. Yes.

Q. Do you as comptroller make certain that the amounts recommended by Mr. Pethick and approved by the board coincide with the actual transactions that take place in the period for which you are paying?—A. Yes.

Q. Cannot there be a five cent piece that knowingly slips by you for which no service was performed?—A. Subject only to Mr. McIvor's explanation of the pooling arrangement.

Q. But even there, there has been a futures trade?—A. Yes, at some time.

Q. Or a cash trade?—A. Yes.

Q. By somebody?—A. Yes.

Q. That the board had to pay a brokerage fee on?—A. Yes.

Mr. Ross (*Souris*): Not necessarily the man who receives the cheque.

By Mr. Graham:

Q. That fee had to be paid to somebody?—A. Yes.

Q. And the producer therefore suffers not one iota so far as the total amount paid by the wheat board for brokerage fees is concerned?—A. I would say that as a very definite statement.

Q. And I presume the auditor checks those amounts very carefully?—A. Yes, he checks not only those but all other transactions in connection with the board.

Q. And so as long as the Act remains as it is your board has to pay these brokerage fees to somebody?—A. Yes.

Q. And it comes down purely to a distribution among the existing firms at Winnipeg, Vancouver, Calgary, etc.?—A. Yes.

Mr. DOUGLAS (*Weyburn*): Mr. Graham put words into the mouth of the witness. He asked the witness a moment ago whether or not so long as the Act remains as it is the wheat board must continue to pay these brokerage fees, and the witness answered "Yes".

Q. Is it not true that the wheat board Act provides under section 8, subsection (j), that if the existing agencies are not operating satisfactorily the board may take such steps as it deems expedient to establish its own or other marketing agencies or channels?—A. That is true. I am very glad you asked me that question, Mr. Douglas, as a matter of fact, because I can tell you perhaps better than anybody can why the board started to operate as it did. The Act, as I remember it, was passed on or about the 5th July, 1935, and my

first knowledge of what was involved in it was on August 12, 1935, when there was no such thing as the wheat board except by statute. I was treasurer of Canadian Co-operatives and Mr. McFarland was general manager—

By Mr. Graham:

Q. The Canadian Co-operatives were the selling agency of the pool?—A. Yes, and conducted also the stabilization operations which became a part of the Canadian Wheat Board Act, so we really did exist from the period of August 14, 1935, away into 1936. We had no parents, or we had divided parents. We were working for two distinct organizations, and never knew exactly the cut-off point. Mr. McFarland, who was general manager of Canadian Co-operatives, asked me if I would undertake to evolve a system by which we could handle board wheat, and that was immediately following the committee in Ottawa. I was not at all anxious to do it, and refused to do it for some time; but I did undertake to do it. When we got the copy of the Canadian Wheat Board Act I sat down and dealt with each and every section. Having knowledge of how the operations of Canadian Co-operatives were conducted not only with regard to pooling operations alone but with regard to stabilization operations I had to go through the Act and try to decide—and I am not a lawyer and cannot say exactly what any clause in this Act or any other piece of legislation may mean—what should be done. I made a lot of notes as to different rulings I thought we had to obtain before we could definitely agree as to how we were to operate this wheat board, and those items were dealt with by the board and as the result of those we obtained counsel and got a lot of legal opinions.

Mr. DOUGLAS (*Weyburn*): He says he is not a lawyer but he gave a legal opinion in answer to a question by Mr. Graham. He was asked definitely if under the Wheat Board Act as it now exists he had to use brokers and he said "Yes".

Q. I now ask you if you are still prepared to say "Yes" in view of the language of the Act?—A. I say I gave a fair answer to that question, so long as you are using the facilities of the Grain Exchange.

Q. That is not the point. Mr. Graham asked you if the wheat board had to use brokers and you said "yes", and I am asking you if you are prepared to say under oath that by virtue of this Act the wheat board have to use brokers? You are giving a legal opinion?—A. I do not agree with you.

Q. Are you prepared to say that under this Act as it now stands the wheat board must use brokers?

Mr. GRAHAM: That is a matter of policy.

Mr. DOUGLAS (*Weyburn*): The question has already been asked and answered, and I am asking him to repeat it.

Q. What do you say?—A. I would still allow my answer to Mr. Graham to stand for the reasons I have given to you, namely, the discussions we had before the operations of the wheat board commenced.

Q. I will read to you section 8, subsection (j) of the Canadian Wheat Board Act:—

It shall be the duty of the board:—

- (j) to offer continuously wheat for sale in the markets of the world through the established channels: Provided that the board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels;

Now I ask you if that subsection which I have just read does not give to the wheat board the power to set up its own agencies rather than using brokers?—A. Yes, I would say so again, but not as a legal opinion.

Q. How do you reconcile the answer you have just given to Mr. Diefenbaker with reference to the payment of these brokerage fees when he asked you whether the cheques were issued for services rendered to the particular individual to whom the cheque was issued—

Mr. DIEFENBAKER: By the particular individual.

Mr. DOUGLAS (*Weyburn*): Yes.

Q. He asked you whether the cheques issued were for services rendered by the particular individual to whom the cheque was issued, and I understood you, Mr. Findlay, to say "Yes". Now I undersatnd you to say that the cheque may cover not only services rendered by that particular individual but in addition something extra by way of a pooling arrangement for services which may not have been rendered by that particular individual, is that correct?—A. Yes, I would say so. He may not have rendered service on the particular day when that transaction was put through, but on the other hand he may have put through his own share and somebody else's share on some other day.

By Mr. Ross (Souris):

Q. What is your understanding of the pooling? It seems to me very strange that there should be an arrangement whereby you pay one broker for a service rendered by somebody else?—A. I would say it is very largely the result of representations made by the trade to the board.

Q. Why would you think that the trade would want that arrangement?—A. Because I think quite fairly that the trade are entitled to allocate some of their own brokerage.

By Mr. Diefenbaker:

Q. To prefer one broker to another in the pool?—A. Let me put it this way, and again I am giving you an opinion but do not think I keep all those facts in my mind because I cannot pretend to do so; I think under the present system the allocation of brokerage is infinitely more fair than if the companies themselves allocated their own brokerage. I think that is a reasonable statement.

By Mr. Ross (Souris):

Q. Than if the companies allocated their own brokerage?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. As I understand, on any day a certain number of transactions take place, and for that day there must come to you brokerage slips and you can pay only for the amount of the transaction that has been done on that day?—A. Yes, we can only pay the broker whose name appears on the trading card as having put through the brokerage.

Q. If 1,000,000 bushels is traded on that date brokerage can only be paid on 1,000,000 bushels—A. Yes.

Q. And as to the allocation of that brokerage, that is a question decided by Mr. Pethick, but the total amount of brokerage can only be the amount that is paid in regard to the 1,000,000 bushels or whatever the transaction was on that day? There is no additional amount as Mr. Douglas suggests?—A. No.

Q. There is simply brokerage paid for each bushel?—A. Yes.

Q. That may be allocated amongst brokers in some way or other, but that is all the brokerage paid?—A. Yes.

Q. The total amount may be distributed amongst different individuals, but the actual transaction that took place is the transaction paid for?—A. Yes, a transaction on which we pay brokerage on the amount of business we have done.

By Mr. Perley:

Q. Then you can produce clearing slips to correspond with the total amount of brokerage you have paid?—A. Oh, yes.

Q. Individual slips sufficient to correspond with the total amount?—A. I do not know what you mean by individual slips.

Q. The daily slips?—A. Yes.

Q. You say you can produce the slips used to make up your daily clearing sheet to correspond with the total brokerage cheques issued?—A. Yes.

By Mr. Diefenbaker:

Q. But that simply amounts to this, that if \$5,000 is earned to-day in brokerage by "A", you can give him \$1,000 and give two or three other people \$1,000 each, and distribute the balance \$50 each among the rest of the members of the Exchange?—A. You are always getting down to the question of the pooling of brokerage.

Q. That is just what you are doing to-day?—A. Yes.

By Mr. Graham:

Q. Going back to what Mr. Douglas stated for a moment, while I dislike to address a legal argument to the committee I would like to recall to your mind section 8, sub-section (j) of the Canadian Wheat Board Act, which reads:—

"8. It shall be the duty of the board:—

(j) to offer continuously wheat for sale in the markets of the world through the established channels: Provided, that the board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels;"

I know you are not a lawyer, but in order to make that section clear to the committee would you agree with me that before the board has the power to establish other marketing agencies or channels it would have to find the existing agencies not operating satisfactorily?—A. Yes.

Mr. WRIGHT: In the opinion of the board?

Mr. GRAHAM: Yes.

Q. Up to date would you say that the experience of the board has been that the existing channels are operating satisfactorily?—A. I would give it as my opinion; I cannot speak for the board.

Mr. DOUGLAS (*Weyburn*): He has already given that opinion.

By Mr. Graham:

Q. That is your own opinion?—A. Yes.

Q. So that if the board agree with you, then the board would have no authority to use other than the existing channels, is that correct?—A. I would take that to be so.

Mr. PERLEY: I recall when that Act was framed. That clause was inserted for the purpose of utilizing the facilities that then existed more or less from the standpoint of the physical handling of the product. I was on the committee, Mr. Graham. Of course that clause was inserted so that they could utilize these different agencies and they had the power to set up their own, not for the purpose of dealing in futures but for the physical handling of the grain.

Mr. GRAHAM: I would say that clause was inserted to give the board power over the existing channels so that they would not think they had a sinecure and fail to do their work properly.

The CHAIRMAN: If other agencies are going to be set up or utilized, does not the responsibility come back to the government?

Mr. DOUGLAS (Weyburn): No, not to the government.

The CHAIRMAN: The board has to go to the government for its financing.

The committee adjourned at 1.00 o'clock p.m. to meet again at 4.00 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, we will resume. Mr. Findlay is still on the stand and he has part of the information that was sought here this morning. He is prepared to give it to you now. Proceed, Mr. Findlay.

The WITNESS: Mr. Chairman and gentlemen, there are a very considerable number of figures making up this information that has been asked for. I am afraid if I try to read them alphabetically we will run out of letters and if we number them we will have quite a record. I doubt very much if anybody is going to be particularly interested beyond asking me for the highest and the lowest item in the sheet. I will not give them in the order in which they are here, but I will go back and forward.

By Mr. Douglas (Weyburn):

Q. What figures are these?—A. They were asked for yesterday with regard to payments in regard to grade losses—substitution of grades.

By Mr. Ross (Souris):

Q. You do not mean the adjustment with the elevator companies on their grades?—A. Yes, when they are under or over as the case may be.

By Mr. Diefenbaker:

Q. Could not they be read on the record?—A. It is a pretty long list.

The CHAIRMAN: Suppose you ask for one in ten.

By Mr. Perley:

Q. Give us some of the largest firms.—A. Shall I go through and call some of them?

The CHAIRMAN: We agreed that we would not disclose the names and that we would number them, but the record is so long.

The WITNESS: If any member wishes me to go backwards and forwards we can do so, and I will go back and quote from this:—

Due to the Board

\$7,733 13

2,101 32

4 02

25 55

527 80

Due to the Company

\$ 119 96

3,821 78

797 85

By Mr. Graham:

Q. Let me make that point clear. When you speak of it being due to the company that will mean that the company has shipped a better grade of wheat than they had reported?—A. Yes; but you must take all the grades, Mr. Graham, that they handled in that particular year, and it is the net result of the adjustment of all the grades. I am giving the 1938 crop.

Due to the Board

\$ 130 56
1,233 29
36 00

Due to the Company

\$ 150 54
4,704 42
47 00

By Mr. Douglas (Weyburn):

Q. In that particular case does that mean that the board owe the company \$4,000?—A. \$4,000, yes.

Q. And the company has paid the board on adjustment the other way about \$36?—A. Yes.

Q. I notice in many cases the amount paid is almost the same within a few dollars of the company and the board. In this case there is a large discrepancy?—A. Those are net figures. It does happen that way.

Q. Does it mean that this company has been grading low, that that is why it has that money coming to it as compared with the other companies?—A. I think I can explain in this way: it depends a great deal on the extent of the company's grade gain or grade loss. That is the first factor that contributes to these amounts. If they were overgraded in the company then undoubtedly our grade adjustment will reflect a payment due to the board.

Q. If they were undergraded they will have a considerable amount coming from the board?—A. They are not in cases that I am dealing with. I may point out to you in that respect that the 1938 board was all board wheat. There was not much chance of any wide variations. They had to deliver what they had in the elevators and they started out with practically nothing.

The CHAIRMAN: Might they improve their grain and have that reflected here by cleaning and reconditioning.

The WITNESS: Yes, undoubtedly in some companies to a greater extent than others, and some parts of the west to a greater extent than others.

By Mr. Wright:

Q. They are not supposed to be able to change a grade of wheat by cleaning, it remains the same; the dockage is supposed to be represented in the cleaning?—A. Yes.

By Mr. Perley:

Q. What happens to the dockage in the interior elevators?—A. There is a question being asked by Mr. Perley as to what happens to the dockage in the interior elevators—you mean the government interiors?

Q. Yes, for that particular year?—A. If a car goes in that has a dockage content in excess of 3 per cent the screenings belong to the company which would ship the car. I judge that mostly they would sell it to the government elevators. Mr. Heatherington, when he comes before you, can answer that. If it is under 3 per cent they are not required to pay any cleaning charge to the terminal elevator; there are the screenings in lieu of the cleaning charge.

The CHAIRMAN: Take the case of No. 1 Northern wheat rejected for wild oats or any other weed or seeds; if that is cleaned out it changes its grade position, does it not, and would it be reflected in these grade gains or losses?

The WITNESS: Oh, yes, anything they are able to clean in the country in the way of what we call an off grade, that is a variation of the same grade due to, oh, any condition, smut or anything else, and any cleaning they can do in the country elevator, which I think is somewhat limited would naturally improve the grain.

By Mr. Ross (Souris):

Q. You can get sprouted grain in the wet season; you can clean that out and get the wheat?—A. I do not know to what extent you can do that in the country elevators, because with smut it needs washing.

Q. I said sprouted grain; I did not say smut?—A. I think the last figure that I quoted was due to the company \$47.

Due to the Board

\$ 52 00

3,531 00

Due to the Company

\$ 60 00

By Mr. Perley:

Q. That fellow would not keep his men very long buying grain in the country?—A. I do not think that is a big figure for any company.

Due to the Board

\$2,724 00

272 00

2 10

495 00

148 00

Due to the Company

\$ 6 48

I will quote some from the other page, but in the meantime I would like to mention that altogether we collected from the companies in that year \$127,948.37.

By Mr. Perley:

Q. And you paid?—A. That was the net result.

Q. Collected from the companies—all handling companies?

Mr. EVANS: That would be for loss of grades?

The WITNESS: Yes.

Mr. GRAHAM: Outside of that last statement is the detail of any value to this committee? I am puzzled as to the value of this information that has been given, other than that last statement.

The CHAIRMAN: The committee asked for it yesterday. Is there any more information the committee wish to have with respect to this?

Mr. PERLEY: I do not see that there is very much value attached to it unless we could have it for 1939 and 1940, a special crop year.

The WITNESS: I can give you the same figures for the 1939 crop up to March 31st last.

Mr. PERLEY: Of 1940?

The WITNESS: Of 1942.

Mr. PERLEY: The 1939 crop is all disposed of.

By Mr. Graham:

Q. Is that the position of the 1939 crop?—A. I have that up to March 31st. I would like to point one thing out. While we were discussing this, you will remember, Mr. Perley, that in our statement for grade losses, reconditioning and so on we show a net figure of \$19,803 as compared with this figure which we collected from the company of \$127,948.37. I may say in regard to that, that the board as a board is in an entirely different position from any other grain organization, and we have to bring all our figures back to producer delivery figures so that later on while there probably will not be much adjustment in the 1939 figure the figure in the annual statement when you finally see it may vary from the figure I am giving you to-day, and I would like it clearly understood that the figures I am giving you are payments to and from the companies with regard to grade adjustments.

By Mr. Wright:

Q. The thing I was asking for was the number of bushels of one, two, three and four, the different grades that were bought during 1938 from the farmer,

and the number of bushels of the corresponding grades that were turned over to the board, and that would also show the overages in the elevators.

Mr. McIVOR: These figures reflect the overages. I think Mr. Findlay has these other figures here; he could give you specimen figures.

The WITNESS: I think you suggested that those figures might reflect the overages in the elevators?

By Mr. Wright:

Q. Yes?—A. They won't. A company only delivers to us the wheat which they have purchased from the board.

Q. Purchased from the farmers?—A. Did you mean the overages of individual grades?

Q. The total overages?—A. Well, we have no information whatever about that.

Q. The information as regards the grades is not of very much value unless you have also the overages?—A. I can do the same for you in that regard as I did with regard to reading the money figures, if I may just give you figures.

The CHAIRMAN: Could you give two or three examples?

By Mr. Perley:

Q. Of 1939?—A. Take 1938. We are dealing with that at the moment:—

1 Hard, under delivered.....	3,163,000	bushels
1 Northern, under delivered.....	12,751,000	"
2 Northern, over delivered.....	10,517,000	"
Tough Three Feed, under delivered.....	11,197	"
Tough Six	2,729	"

Q. 2 Northern under delivered was 10,517,000?—A. No, over delivered. They were under delivered in 1 Hard and 1 Northern.

By Mr. Ward:

Q. Does that mean that wheat purchased as No. 1 was later graded as No. 2?—A. Yes. I am not going to suggest the reasons because I do not think that is my place. I just remind you that the elevator companies started from scratch that year with no grain in the houses and there may have been more or less intense competition or it may have been the result of something that was really beyond their control, as I remember distinctly in the 1938 crop when the companies took terrifically great losses which in my estimation were beyond their control.

Q. Was there not a year not so long ago when the Grain Standards Board were late in setting the grades? I recall one fall when the elevators bought wheat for a month or two on the old grades?—A. I think as a general rule, but I cannot give this as a definite opinion—the Board of Grain Commissioners can give you that information—that it is always somewhat late in the season—it is always after the beginning of the season and after the companies have been handling grain before the standards are set. I think that is a natural supposition because they have no samples of the grain that is coming in before they can set the standards. I would like you to refer that question to Mr. MacKenzie.

Q. Have you figures showing what the losses would be to the elevator companies through the loss of grades?—A. No, that is only as far as the board is concerned, but what the actual grade loss was to the company we had no means of determining. All we know is that we make an adjustment with them between the grades that have graded lower than they purchased them for or vice versa when the grades are higher than they purchase them for, but what

effect that has on their books, of course, we have no means of knowing, except in 1938 when it was 100 per cent board wheat, and this would naturally represent every grade loss in that year.

By Mr. Perley:

Q. Now, will you follow up with three, four and five?—A.

Straight Three, over delivered.....	6,974,000
Four, under delivered.....	1,156,000
Five, over delivered.....	1,491,000
Six, over delivered.....	451,000

The CHAIRMAN: Now, are there any other particular questions that anyone in the committee wish to ask with regard to this statement?

By Mr. Fair:

Q. If the wheat board will pay the companies for the amount of grain tickets which they purchase, they will pay them only for the tickets as they are presented to the board, and if they deliver more of a better grade than they are not benefiting or losing anything because they are merely delivering the wheat for another owner instead of wheat for the wheat board?—A. I would like to point out one thing with regard to deliveries to the board. Naturally we do not know at the time each day that each company is delivering wheat whether a company is over delivering on a certain grade, we do not even know that every week, because we are handling such a terrific volume of wheat that the best we can do is run off what we call a company statement; you cannot shut off the works to do it all at one time; you have to alternate them and take a company here and there. The man in charge of country operations reviews this statement and if he finds that a company has all No. 1, say, and he finds that they are delivering up to almost 100 per cent of what they had taken in the country, then he will not take any more until they make it straight that they have bought that much wheat for us.

Q. The idea was that if a company undergrades the grain then they gain on the deal because they will only turn over to the board what the tickets call for; if they overgrade when buying from the farmers they would be at a loss?—A. We have to watch that, but any subsequent grade adjustments of the companies is only a small proportion of the total board handling; and we have, furthermore, the right, as Mr. McIvor read out of our contract yesterday, to put any official or employee of the board right over in the office of every company, and we do it. That is very definite.

By Mr. Wright:

Q. The 1938 crop was all bought by the board from the companies?—A. Yes.

Q. That deal now has been completed. Would not there be figures to show for any particular company the amount of grain that they had paid the farmers for and the amount of grain they have delivered to you—that is, if there would not be overages in the elevators?—A. No, Mr. Wright, our figures would give you exactly the grand total of all purchases that the board made for our account in the country. That is an exact figure. We have these by grades for each company. We have the deliveries against those grades and the overs are adjusted in this way because we must balance up 100 per cent for each grade by reason of being a board organization, but that would not indicate what overages or shortages there might be in the country.

By Mr. Perley:

Q. The grand total would have to correspond with the grand total they take in?—A. Yes. If they had an overage of 1,000 bushels in the elevator they could not deliver it to us, we would not know of its existence.

By Mr. Donnelly:

Q. They would have a lot of their own grain anyway?—A. Not in 1938, no, they started out with fairly clean bins.

Q. They might have 2,000 bushels?—A. We did not get all our deliveries prior or up to July 31st, they rolled in after that; in the meantime those companies may buy other grain in the country.

The CHAIRMAN: And they may be selling their grain in the country.

The WITNESS: They may be selling the grain in the country.

By Mr. Perley:

Q. Of course, the dockage that the Grain Act permits them—that is the original dockage—that would be minor, it would not amount to an awful lot?—A. No, I do not think so. It is pretty exact. They weigh it.

Q. Yes, I know there is a certain percentage of dockage, $\frac{1}{2}$ of 1 per cent which is invisible?—A. Yes, I think that pretty well goes up the spout.

Q. It generally does.

Mr. GRAHAM: Is this not typical of what I had in mind this morning where the board were asked to produce a lot of voluminous records and they have them here and they are all comparatively of little value to the committee. I would like the committee to keep in mind the task the government has put upon this board and let us get on with what this committee was meant to do and do it. It struck me as I listened to this long document that Mr. Findlay has in front of him that it is typical of the inclination to ask for information which when we get it is of little value to the committee. I hardly think it is fair for responsible members of parliament to be putting the board to that type of work at this time.

The CHAIRMAN: Those were specific things asked for by members of the committee, but I am bound to say I agree with you to a certain extent, Mr. Graham. The attempt has always been to try to get answers to the questions of the members for any information they may want brought before the committee. Now, is there any further discussion on this statement

By Mr. Perley:

Q. Perhaps Mr. Findlay would finish the grand totals for 1939?—A. In respect of the 1932 crop and up to March 31, 1942, we paid to the companies a net total of \$42,279.82; the total amount involved was approximately 15 million bushels.

Mr. ROSS (*Souris*): Do those figures indicate that the producer's grain was undergraded there?

Mr. PERLEY: You paid to the companies?

The WITNESS: We paid to the companies \$42,279.82.

Mr. PERLEY: And it involves 15,000,000 bushels?

The WITNESS: There may have been all kinds of factors entering into it. I hesitate to express an opinion one way or the other. We have all dealt with them. There might be slide-over grades or cleaning in the country and one thing and another. I do not hold any brief for any of the handling companies, and do not think I am trying to speak for them; I am trying to give you such information as I can. I know at various times an agent will in good faith buy a grade and he may be a very good agent at grading grain, but to his consternation when the car comes down through Winnipeg it gets bumped a grade, and sometimes it happens the other way.

By Mr. Ross (Souris):

Q. Do those figures indicate under or overgrading to the farmers?—A. I would say it indicates undergrading, but in any respect the percentage in com-

parison to the total handlings of the board would be so infinitesimal that they would not be a factor.

Q. For instance, you go back to 1938 and the company has paid you considerable money; in 1938 does it indicate overgrading?—A. 1938 obviously from the bushel figures there was overgrading which may not have been intentional.

Q. I realize all that. I want generalities of what it indicates?—A. Yes, there it is; 1938 would indicate they overgraded, maybe a little ambitious, and 1939 slightly under.

By Mr. Graham:

Q. In 1939 the position is complicated by the fact that the elevators were taking in grain on their own account and some of them might have got into the deliveries to the board; is not that true?—A. Yes, that is true. The amount involved is so small relatively that that might quite easily happen, except that as I explained before we can check up and see that they do not get out of line.

Q. That really cannot lead to any special deduction from these figures?—A. I do not think so, there are too many factors entering into it.

Q. Is it not also a fact that 1939 is still incomplected?—A. There is still some of it.

The CHAIRMAN: Is the committee satisfied with the information received with respect to the statements, or are there any further questions to be asked?

By Mr. Perley:

Q. Mr. Findlay, this morning a question arose about these clearing sheets—

The CHAIRMAN: You are leaving the statements with respect to overages or otherwise?

Mr. PERLEY: Yes. (Agreed).

The CHAIRMAN: All the information secured thus far has been given to the committee.

Mr. PERLEY: Has Mr. Findlay any of the information that Mr. McIvor promised to give us with respect to certain outstanding options, etc.

Mr. McIVOR: The only information that you have not received thus far is with respect to order in council No. 1803, as far as I am aware.

Mr. PERLEY: That is the order in council dealing with what?

Mr. McIVOR: The adjustment of the price of wheat stocks to new levels.

Mr. PERLEY: Information was to be furnished as to the open trades.

Mr. McIVOR: That is in the order in council.

Mr. PERLEY: And we wanted some information with respect to the brokers.

The CHAIRMAN: What information is that?

Mr. PERLEY: The names.

The CHAIRMAN: The committee voted on the question whether or not the names would be received.

Mr. PERLEY: There are a lot of matters we have asked people about which we have not received proper answers. I am going to suggest that we call certain brokers from Winnipeg. We might avail ourselves of the opportunity of hearing Mr. Fowler, the manager of the clearing house, who is in the city. I think he could give us some information as to the amounts being cleared now, and the accounts of the different members of the Clearing Association and the Winnipeg Grain Exchange. There is a lot of information we could get that I think would bear on the matters dealt with this morning such as the use of these brokers and the pooling of the brokerage charges.

The CHAIRMAN: When the sub-committee arranged for the program up to this point its feeling was, as I understand, that we should get the information

we require from these people as quickly as possible and permit them to get back on the job.

Mr. PERLEY: These questions arise out of the information they have given us.

The CHAIRMAN: How much longer are we going to require the attendance of the wheat board and the Board of Grain Commissioners? We have not heard all the witnesses who are waiting to be called.

Mr. GRAHAM: Mr. Chairman, the committee's reference really arose out of a speech made by the hon. Mr. Hanson in the House of Commons in which, speaking generally, he suggested that the wheat board had been carrying on illegally in the matter of dealing in futures contracts. That point has been dealt with thoroughly, and yesterday I noticed Mr. Diefenbaker indicated he thoroughly agreed that this committee could not settle the question of the legality of dealing in futures contracts. Only the Supreme Court of Canada could settle the purely technical question whether the board in dealing in that way is or is not dealing illegally. There is nothing this committee can decide with regard to the question of illegality.

The next suggestion was that the wheat board's account should be independently audited. It has been developed that ever since inception of the wheat board in Canada the same firm of auditors, Messrs. Miller, Macdonald & Company, one member of whom is well known to members of this committee, have independently audited the books of the wheat board; so that point has been thoroughly cleared up.

The next point is with regard to the brokers, and the committee has secured the information it thought necessary and proper with respect thereto.

Those are the points that were chiefly dealt with, and upon which allegations were made by Mr. Hanson. It strikes me that this committee having dealt with all the points that have been suggested, surely Mr. Hanson or some member of the opposition, perhaps, will definitely tell the committee what they want the committee to do rather than having the committee embark day after day on a fishing expedition. In fairness to the board I suggest that we review our position.

The CHAIRMAN: I think you are substantially correct, Mr. Graham.

Mr. Ross (*Souris*): To some extent I agree with Mr. Graham because certain information desired has been denied us, having been voted down in this committee. I am not concerned with some of the other charges that I made quite plain to this committee when we first sat. I certainly was one of those who would have liked to have a record produced of the names of the brokers, and the amounts paid. So far as the other two members of the wheat board are concerned, we might as well conclude our inquiry and save the time of the country, because the information we want will not be afforded in view of the vote of the committee on every point.

The CHAIRMAN: Do you wish to ask any questions of the other members of the wheat board?

Mr. PERLEY: Are you willing that we call Mr. Fowler?

Mr. SMITH: He is not in the city.

Mr. PERLEY: He was in the city yesterday.

Mr. SMITH: I understand that he has gone.

The CHAIRMAN: We still have the Board of Grain Commissioners to deal with. Have we completed with the wheat board?

Mr. PERLEY: Does Mr. McIvor refuse to give us any further information with regard to the brokers employed by the wheat board?

Mr. GRAHAM: Mr. McIvor has not refused.

Mr. PERLEY: Very well, the committee has refused. If we name half a dozen brokers in Winnipeg can we call them here?

Mr. McCUAIG: As I understand it, the board has the right to deal through any channels it desires, and I do not think it makes any difference to us what brokerage is paid.

Mr. PERLEY: It makes a difference to the country if 100 men are being paid brokerage fees for doing nothing.

Mr. McCUAIG: If there is pressure through some brokers in Winnipeg on members of this committee to use influence with this board, we are not interested.

The CHAIRMAN: Have you specific accusations you desire to make with regard to the board's dealings?

Mr. PERLEY: I do not think we need to make accusations in order to obtain information.

The CHAIRMAN: The board has reviewed its position and policy on several occasions before the committee.

Mr. PERLEY: And there are certain brokers in Winnipeg who are getting paid money for doing nothing. That is practically the policy.

Mr. GRAHAM: There is no proof of that.

Mr. PERLEY: Certainly there is.

Mr. GRAHAM: Mr. Findlay, the Comptroller, gave evidence under oath that he never made a payment to any broker unless there was an accompanying transaction either in the futures market or in cash wheat.

Mr. PERLEY: I asked for the clearing sheets for certain days.

Mr. ROSS (*Souris*): Some brokers received money on the pooling basis.

Mr. GRAHAM: It had to be paid out to somebody.

Mr. PERLEY: We have asked for certain clearing sheets and they have not been produced.

The CHAIRMAN: The question as to the clearing sheets came up yesterday.

Mr. PERLEY: Yes. I asked for the clearing sheets from May 1 to May 13, and Mr. McIvor said they could be produced, but they have not been produced.

The CHAIRMAN: Did not Mr. Folliott explain that matter?

Mr. PERLEY: Have we had Mr. Folliott on the witness stand yet?

The CHAIRMAN: All members of the board were sworn at the opening of the proceedings.

Mr. PERLEY: But Mr. Folliott has not been questioned.

The CHAIRMAN: May I call Mr. Folliott before the committee and let him repeat the explanations he made yesterday with respect to the question Mr. Perley has now raised.

By the Chairman:

Q. Proceed, Mr. Folliott?—A. Mr. Perley asked a question with regard to the sale of 120,000,000 bushels. My explanation was that the clearing sheets from the 1st May to 13th May would not show the 120,000,000 bushels for the reason that the 120,000,000 bushels while sold at that time was not cleared with the exporters, as has been explained several times, until some time after when the Cereals Import Committee instructed us by cable to give up this wheat to the exporters. Some of that 120,000,000 bushels might be cleared a week later or two weeks later up to six months later, so that the clearing sheets from May 1 to May 13 could not possibly show you anything in regard to the 120,000,000 bushels. I did say that the contract with the Cereals Import Committee was a contract for 120,000,000 of futures at a blank price. The contract is addressed to the Cereals Import Board in writing and is signed by the three members of our board. The contract is sent to the Cereals Import Board and they return it duly signed by their director and deputy director,

and it is actually a contract of sale. If we did not make contracts for sale of futures such as that, we would never get rid of any futures on our books.

By Mr. Perley:

Q. There is nothing to show the 120,000,000 bushels cleared on those days at all, but some time afterwards a settlement was made with the brokers?—

A. We agree that it was not cleared on those days. We do it as outlined above because the British government want us to handle it in that way, and it does not cost us any money to do it that way; we get the same price.

Q. A cable has been read before the committee to the effect that the Cereals Import Committee desire the Grain Exchange to continue open. Now, can you tell us any reason why they would want it to continue open?—A. I would be a mind-reader if I could guess why they want it to remain open, but I would say they must consider that the best and most economical way for them to buy wheat.

Q. Absolutely. They do not care about the brokerage fee at all. They can buy wheat as they have this last year at a price of 70 cents, while the price in Chicago is \$1.20. If they can have the Winnipeg brokers regulate their price and buy their grain over a long range of six months at a time, why would they not want the Grain Exchange to remain open? (No response).

By Mr. Donnelly:

Q. Have you Mr. Justice Turgeon's report with you?—A. No.

Q. You will recall from that report that when Mr. Justice Turgeon was in England he had before him several wheat dealers and millers, and asked them that very question?—A. I believe so.

Q. Can you look it up in the report and tell us what he said? He asked these millers and importers why they wanted the Grain Exchange kept open at Winnipeg, and they told him why.

The CHAIRMAN: I doubt very much if that question is before the committee at the present time. Again I point out that so far as the government is concerned it has received advice from the Cereals Import Committee as to the policy they desire to have pursued, and presumably the government feels it is under obligation to observe that policy.

Mr. PERLEY: The real answer to that is that they can buy wheat at practically any price they like. It is not competitive in comparison with the open market in the United States.

The CHAIRMAN: I think it is fair to say that they can buy the wheat at the price the government is prepared to set.

The WITNESS: The price of American wheat does not mean a great deal from an export viewpoint because the Americans are subsidizing their wheat. We ran across a case where they were subsidizing flour to a neutral country at a price cheaper than to-day's price. The fact that their market is \$1.20 or \$1.30 does not mean they can get that price for their wheat on the export market.

The CHAIRMAN: Did you request some information from Mr. Folliott, Mr. Donnelly?

By Mr. Donnelly:

Q. Yes, I would like you to refer to pages 165 to 167 of the Turgeon Grain Commission report, where it is indicated that the millers and merchants were present and Mr. Justice Turgeon asked certain questions appearing at the foot of page 167. Please read those?—A. Very well:—

“Question 1. (g) What views are held regarding the effect of the sale of Canadian wheat in the British Isles in case the Winnipeg futures market, should cease to operate, as has been advocated by some of those who have made submissions to the Commission in Canada.

Answer: The closing of the Winnipeg Futures market would have a detrimental effect upon the volume of Canadian grain business. The closing price of the Winnipeg market is the basis of all calculations which are made for offering wheat throughout Europe the following morning.

Further the Winnipeg futures market is in the main, the market in which hedges on Canadian wheat are carried. The only exceptions are when other hedging markets seem relatively high in relation to the crop prospects and/or actual crops but, broadly, Winnipeg is the hedge used for Canadian wheat in whatever position the wheat may be being carried.

It would certainly make the business of all export houses and United Kingdom merchants dealing in Canadian wheat very hazardous and, therefore, tend to limit dealings.

It would seem obvious if the Winnipeg market were closed the exporter would have to look for a definite and considerable margin to cover the additional risks involved.

It is our considered opinion that the average daily price at which Canadian wheat is sold in Europe is lower than the average daily price registered in the Winnipeg market indicating that the Canadian grower by the existing system is getting a higher price than the c.i.f. parity of the same day. In other words, his wheat is marketed in the consuming countries without any charge to him."

The CHAIRMAN: Whose evidence is that, Mr. Folliott?

Mr. WRIGHT: I do not see what this has to do with the present marketing of wheat. This is something in regard to the marketing of wheat years ago before the Cereals Import Committee was formed in the Old Country; it is prior to the war and is not of interest to us. I do not see why that material should be read into the record now unless it is to back up Dr. Donnelly's favourite horse.

Mr. DONNELLY: The matter was referred to a day or two ago by Mr. Perley, who stated that when Mr. Justice Turgeon was over in England there was no objection whatever and no representations made with regard to the closing of the Winnipeg Grain Exchange.

By Mr. Perley:

Q. Whose views are they?—A. The views of the British Grain Trade. The heading is "Views of British Grain Trade."

Q. What witnesses gave the views?—A. That is not shown.

The CHAIRMAN: As recorded by Mr. Justice Turgeon.

Mr. PERLEY: On page 165 of the report Mr. Justice Turgeon practically says the British authorities were pleased with the situation in Canada and thought that the Grain Exchange should remain open. He does not quote any evidence.

Mr. DONNELLY: He does.

Mr. PERLEY: He does not say who gave the evidence.

Mr. DONNELLY: He says those are the questions he asked the millers.

Mr. PERLEY: It is a summary of the evidence taken before him.

Mr. DONNELLY: No; the questions asked and the answers made are set out.

Mr. PERLEY: I am going to quote from the evidence that was taken.

Mr. DONNELLY: From what are you reading?

Mr. PERLEY: From the evidence and report with respect to the Turgeon Grain Enquiry. A number of overseas witnesses were asked what difficulties

would be anticipated to the producer in Canada if the Winnipeg futures market was closed, and some eight to ten witnesses were heard, and I have their evidence before me:—

David Muir, Glasgow Manager, S.C.W., p. 10,372: Sees no difficulty if no futures market.

Then:—

M. Stolk, Antwerp, p. 10,731, broker, when asked what difference it would make to his purchase of Canadian wheat if there were no futures market in Winnipeg said: I do not think there would be a big difference.

And:—

Glasgow Corn Association, p. 10,392:—

If the Winnipeg futures market were closed there "would be one less to watch."

Snodgrass, p. 10,446, Glasgow Miller,

"If it disappeared (that is the Winnipeg market) I would not like to say that we could not get on quite well without it."

Bracey, Buyer English C.W.S., Liverpool, p. 10,492: "The advantage would be to the producer."

That is the producer in Western Canada.

Then:—

Again, p. 10,490: "Closing Winnipeg and registering prices at Liverpool would ensure a truer reflection of real prices".

And there are several others if you would like to hear what they said.

By Mr. Rickard:

Q. Did anyone give evidence that the market should be kept open?—A. No.

Mr. DONNELLY: It is very strange that Mr. Justice Turgeon should come to those conclusions.

Mr. PERLEY: I say those conclusions are not a clear criterion of the evidence that was taken before him.

Mr. DONNELLY: Is it your assertion that Mr. Justice Turgeon's report is of no value whatever?

Mr. PERLEY: Mr. Justice Turgeon says that the wheat board is only necessary in an emergency, and that he would not like to suggest that it should be dispensed with. Now, I say if you quote from the evidence taken before Mr. Justice Turgeon you will find most of it is to the effect that they do not need the market at all. That was in peace time. Since this evidence was taken the Liverpool Exchange has been closed.

At this point I desire to give you some information from Mr. Justice Turgeon's report as to the extent they used the Winnipeg market for hedging. The question was as to the extent to which the open market was used for hedging purposes, and at page 10,496 Mr. McFayden of the Scottish Co-operative Wholesale, Liverpool, said:—

Cannot see the necessity for dealing in options at all.

Then, F. Stuych, broker of Antwerp, at page 10,778 said:—

We seldom hedge when we buy, depending on the view of the market.

Then Pillman of the British National Miller's Association, on page 9682 said his firm "never had to hedge in fifty years."

Then a French miller said that French millers, seldom, if ever, hedge.

Then Maximilian Stolk, grain broker, Antwerp, at page 10,727, when asked if he used the Winnipeg market said:—

Yes, we do, not on a large scale, but we do use it. . . .

I could cite a dozen further examples from this record showing that they never use the market for hedging, and if the Winnipeg market were closed it would not make any difference. That statement is made in answer to Dr. Donnelly.

Mr. DONNELLY: It is not in answer to me. Your argument is that the Turgeon report is not correct and is of no value.

Mr. GRAHAM: I do not think anyone would contemplate indicting Mr. Justice Turgeon either as a poor or a dishonourable commissioner. We cannot take excerpts from evidence and form conclusions upon them. Mr. Justice Turgeon has given his final analysis of the evidence in his report.

Mr. PERLEY: I say there is all sorts of evidence taken over there showing the contrary view.

Mr. GRAHAM: I do not think this discussion should go on the record.

Mr. PERLEY: I think it should.

The CHAIRMAN: Your statement is recorded.

Mr. GRAHAM: Some grain merchants in the old land would be delighted to see the Winnipeg and Chicago Grain Exchanges closed because the trade would centre in their own exchange at Liverpool. When that evidence was taken all the exchanges were open. I submit that in fairness we cannot draw any inference from what Mr. Perley has cited.

Mr. PERLEY: I have a letter here from a president of a company who says it is the biggest farce in wartime for the Grain Exchange to be allowed to remain open.

Mr. GRAHAM: That is for parliament to decide.

Mr. WARD: Would Mr. Perley pursue his present attitude if he knew it was going to influence the only market we have for our wheat?

Mr. PERLEY: I say I am of the opinion from my own personal experience over many years in peace time in handling grain, up to the time the depression hit us about 1930, that there is not any need for the amount of trading this board is doing, buying and selling and merchandising our wheat, and that the board, with the government of Canada behind it, and conditions as they are today could save money if they took over complete control of the whole trade.

Mr. WARD: Mr. Perley does not answer my question.

Mr. PERLEY: It has not been shown to me that anything accrues to the advantage of the producer in what the board is doing.

Mr. WARD: We have one customer now and that customer says: "We want the Winnipeg Grain Exchange to remain open." Would you prejudice the only customer we have?

Mr. PERLEY: No; if you can show me any evidence that it would prejudice that customer against buying Canadian wheat. Why would that customer not want it open?

The CHAIRMAN: We have had the view of the British Cereals Import Committee placed on the record several times, and apparently that is the policy the government is pursuing and the wheat board is pursuing on behalf of the government. I submit that is not a matter which we are called upon to decide one way or the other at the present time. I should like to get on with the examination of the witnesses or on to the next order of business that we are going to consider. (Agreed).

Shall we proceed to the next item on the agenda for consideration? (Agreed.)

Then we shall recall Mr. McIvor to the witness stand to deal with the orders in council passed this spring, Nos. 1800, 1801, 1802 and 1803. I hope the committee does not desire these orders in council read into the record because copies are now available.

By the Chairman:

Q. Mr. McIvor, I think the committee would like to have a statement from you as to the principles involved in the orders in council and the reasons therefor?—A. If it is agreeable to the committee I would like to start with order in council No. 1803 dealing with the freezing of wheat, my reason being that Mr. Findlay is leaving tonight and if there are any questions to be directed to him arising out of order in council 1803 the opportunity will be afforded.

The CHAIRMAN: I think the committee will agree to that. (Agreed).

The WITNESS: The reason for this order in council, in brief, is that when the government decided to pay 90 cents for wheat through the wheat board and when the announcement was put on the order paper it was very clear that unless some steps were taken to freeze the prices of wheat as at that day speculators would go into the market the following day and purchase wheat and sell it later on at or around the 90 cent price. Our instructions from the government were to see, to use the words of one of the ministers, "that there shall be no profiteering by any speculator in regard to this action. How you do it is your problem, but those are our instructions." That is the reason for that order in council. It froze the price of wheat as at the previous day's close to prevent any speculators from going into the market the following day or any speculators who were already in the market carrying their wheat and benefiting from the higher price fixed by the government.

By Mr. Donnelly:

Q. Did you have to go on the floor of the Grain Exchange and buy some wheat at that time?—A. Yes.

Q. And that is why you went on the floor of the Winnipeg Grain Exchange and bought wheat?—A. Yes. We agreed with all holders of wheat that we would take over the wheat any time between this date and the 31st July at the prevailing prices on the previous day, and anyone who wanted their wheat back would have to have it readjusted to the higher price.

Q. That was the only occasion on which you went on the floor of the Exchange to buy wheat from other than producers?—A. Yes.

Q. And it was in order to freeze the prices on the Grain Exchange and prevent profiteering?—A. Yes.

Q. Supposing I had 10,000 bushels of July wheat or May wheat and I asked for delivery of it now and got delivery of it, what steps are you taking to prevent my selling it on the 1st August and getting 90 cents?—A. I have not discussed our plan with the cabinet because, as you are aware, we have been very busy here. Our recommendation will be that the warehouse receipts outstanding as at the 31st July will have to be marked "Approved" by the wheat board and before they can be marked "Approved" by the wheat board the holder will have to pay the difference between the freezing price and the price at that time, whenever it is. Unless the warehouse receipt is marked "Approved" when he goes to the elevator to get the wheat the terminal will not deliver the wheat to him.

Q. He can go and get it now?—A. Yes, and grind it into flour; but if he leaves it in the terminal he will still have the same difficulty.

By Mr. Perley:

Q. What was your position on March 5?—A. Do you want a statement?

Q. Were you long or short in the futures market?—A. When you ask what was our position in the futures market, it has been decided by this committee

that the position of the board will not be disclosed beyond the period stated. If you are going to ask a question as to what wheat we purchased under Order in Council 1803, that is another matter altogether, because we have authority to do that.

Q. What did you purchase—

The CHAIRMAN: Is that germane to the committee's discussion, to know what was actually purchased at that date?

Mr. PERLEY: Please let Mr. McIvor answer the question, Mr. Chairman.

Q. What do you say?—A. I will get that information for you, Mr. Perley, but I want to say that there will be wheat sold and between now and the 31st July from this account, and further wheat purchased from this account, so that in the final analysis the figures for which you are asking may not mean a single thing.

Q. Has there been any delivery of cash wheat through the clearing house?—A. If you insist on getting the information I will ask Mr. Findlay to give it to you.

Mr. FINDLAY: Mr. Chairman, my figures go only up to May 14.

The CHAIRMAN: What are those figures?

Mr. McIVOR: The total purchases and sales from the time we started operating under Order in Council 1803 to May 14; but I want to make it perfectly clear before Mr. Findlay commences that these figures are liable to give a picture altogether different from the final picture.

Mr. PERLEY: I am asking how much cash wheat has been delivered to you.

Mr. McIVOR: Mr. Findlay is here to answer your question. The Chairman asked me a question and I answered it.

The CHAIRMAN: I think the chair is obliged to point out to any witness who comes before it that if the information desired can do no harm if revealed and will be helpful to the committee, then we would like to have it.

Mr. PERLEY: Perhaps Mr. McIvor can give us his opinion as to whether that particular information will do any harm.

The CHAIRMAN: He said the situation would be changed in due course.

Mr. PERLEY: I should think there would be a lot of cash wheat delivered in July.

The CHAIRMAN: Perhaps Mr. McIvor may proceed.

By Mr. Evans:

Q. What is this cash wheat?—A. The order gives the board power to take over all wheat in Canada and adjust it to the new level prices.

By Mr. Donnelly:

Q. These figures will not mean anything until the first August?—A. No; the sales going out of this account will not mean anything to anybody.

The CHAIRMAN: Do you want the figure?

Mr. PERLEY: Not if the committee thinks it is of no value.

The CHAIRMAN: You will not take the position that the board are denying you information?

Mr. PERLEY: If Mr. McIvor says the figure will be of no value I think we might let it go at that.

Mr. McIVOR: I do not want you, Mr. Perley, or anybody else to say to-morrow or the next day that we refused to give you this information. I do say, however, that I do not think the information will be of any value. The information that will be of value is the final adjustment which will be in our board accounts as at 31st July.

By Mr. Perley:

Q. Give us the situation on the 5th and then at the end of each week up to the present time?

The CHAIRMAN: What is the pleasure of the committee with respect to that request? Is the committee agreed to have this information given?

Mr. EVANS: Did not Mr. McIvor say it would be given only to the 14th May?

Mr. McIVOR: Yès.

The CHAIRMAN: Am I to take it that the committee wishes to have this information? (Agreed).

Mr. R. C. FINDLAY, recalled.

The WITNESS: I think the first question referred to the position on March 5? It was zero,

By Mr. Perley:

Q. You had no futures?—A. Our own position?

Q. Yes?—A. I do not think that is involved. This is dealing with order in council 1803 only.

Q. When was the order in council passed?—A. March 9.

Q. Give us the position on 9th March?—A. The position still remained the same, no change.

Q. As to what? You had no futures or cash wheat?—A. Under this order in council.

Q. When can we start in?—A. March 16.

Q. What is the situation on March 16?—A. At that time we had long futures, 6,730,000 bushels.

The CHAIRMAN: If the witness takes a week later than that, will that be satisfactory?

Mr. PERLEY: Yes.

Q. What do you say?—A. 6,095,000 bushels.

Q. Long?—A. Long, yes.

By the Chairman:

Q. And a week later than that?—A. At the 31st we had futures contracts long, 7,318,000 bushels.

Q. And on April 7?—A. On April 7 we had 9,118,000 bushels long futures.

Q. And on the 14th?—A. On the 14th we had long futures, 12,018,000 bushels.

Q. And on the 21st?—A. Long futures, 14,294,000 bushels.

Q. And on the 29th?—A. On the 29th we had long, 18,654,000 bushels.

Q. And on May 5?—A. On May 5, we had cash grain stocks, cash wheat, 10,521,615 bushels.

By Mr. Perley:

Q. And long futures?—A. Long futures, 5,831,000.

Q. And on the 12th May?

Mr. McIVOR: Perhaps the witness may give the last date, the 14th.

The WITNESS: The total result of these transactions as at the close of business on May 14— —

By Mr. Perley:

Q. Is that a weekend?—A. That is the day on which I had this statement prepared. The total futures purchased in that period amounted to 22,678,000 bushels.

Q. Total futures?—A. Purchased.

Q. 22,678,000 bushels?—A. Yes.

Q. And sales?—A. Total cash wheat purchased 13,468,000 bushels.

Q. Yes?—A. Cash wheat sold, 2,571,780 bushels—50 pounds. Futures exchanged against delivery of cash wheat—

Q. During this period how much cash wheat was delivered to you through the clearing house?—A. 13,468,000 bushels.

Q. And on the 14th you were long 22,678,000 bushels?—A. No; that was the total.

Q. You were long?—A. Yes.

Q. How much?—A. We were long at that date in cash wheat, 10,896,217-10: Long futures, 4,462,000 bushels.

Q. That is what future, the May?

By Mr. Evans:

Q. That was the net position? I do not know whether it was all May, or May and July?—A. May and July, I think.

By Mr. Perley:

Q. Mr. Findlay, I think if you table the statement it will be helpful. We cannot dissect it as we go along at present. The position is that at the present time you have how much cash wheat?—A. 10,896,219-10.

Q. And long futures?—A. 4,462,000, or a combined total of 15,358,219-10.

Q. You will not have many adjustments to make in July?—A. There is a lot of water to flow yet between now and then.

The CHAIRMAN: Are there any other questions you desire to direct to Mr. McIvor and Mr. Findlay with respect to this Order in Council and how it is to be operated?

Mr. GEORGE McIVOR, recalled.

By Mr. Perley:

Q. What happens on the 1st August with respect to the 90 cent wheat?—A. On the 1st August the wheat board will be paying 90 cents for wheat on the basis Fort William.

Q. This other wheat will all be cleaned up?—A. I am not a prophet, Mr. Perley.

By the Chairman:

Q. Do you think you have safeguarded the interests of the country and protected it as far as it can be protected against any possibility of anybody taking a speculative advantage because of the State increasing the price of wheat by 20 cents per bushel?—A. Yes, sir.

The CHAIRMAN: I think that is what everyone would wish to have accomplished. Are there any other questions on Order in Council 1803?

By Mr. Evans:

Q. Under that Order in Council on or before July 31 you have to take over all cash wheat and all futures held privately?—A. Yes, and we adjust the price to the new level.

By Mr. Donnelly:

Q. Order in Council No. 1800 *re* flaxseed is practically the same thing?

The CHAIRMAN: Can we dispose of Order in Council 1803 now? (Agreed.)

By the Chairman:

Q. Which Order in Council do you desire to take up now Mr. McIvor?—A. Order in Council 1800 deals with the flaxseed, and provides that a price

of \$2.25 will be paid for the new crop. The order freezes all flax stocks in Canada.

By Mr. Donnelly:

Q. It is practically the same thing as Order in Council 1803?—A. The same objective.

By Mr. Evans:

Q. What about oats and barley?—A. That is under Order in Council 1801, which provides for the payment of minimum prices for oats and barley, which is not on at the present time.

By Mr. Donnelly:

Q. There is no minimum on rye?—A. No.

Q. But there is a ceiling on rye?—A. Yes.

Q. What is the ceiling?

Mr. FOLLIOTT: 66½.

By Mr. Evans:

Q. What is the minimum price on oats and barley, Mr. McIvor?—A. The Order in Council says:—

The Canadian Wheat Board is empowered to buy Winnipeg barley futures or cash barley whenever the spot price per bushel, basis Fort William/Port Arthur, of No. 1 Canada Western Two Row or Six Row or No. 2 Canada Western Two Row or Six Row is 60 cents—that is for barley—or No. 3 Canada Western 58 cents, or No. 1 Feed 56 cents.

Since then we have issued an order making it clear to the farmers that the other lower grades will be in proper relation. Then:—

The Canadian Wheat Board is empowered to buy Winnipeg oats futures or cash oats whenever the spot price per bushel basis Fort William/Port Arthur of No. 2 Canada Western oats is 45 cents or Extra No. 3 Canada Western, No. 3, Canada Western or Extra No. 1 Feed, 42 cents or No. 1 Feed 40 cents.

And the same thing will apply there; the other grades will be in the proper relation.

Q. Is it necessary to have a floor under rye at the present time?—A. We have on our board a coarse grains expert, Mr. Folliott, and I would like him to answer that question.

Mr. W. CHARLES FOLLIOTT called.

Mr. FOLLIOTT: That is a very difficult question to answer because we do not know what the volume of it will be, and we do not know what the demand will be; but it seems to me there is very little rye being grown and that the market should be able to take care of it so that there will be no necessity for a floor. I think that is the view the government took on the matter.

Mr. EVANS: In view of the wheat acreage reduction last fall and this spring there is a definite increase in rye seeding, and there was a big demand for spring rye when I was home at Easter, especially in Dr. Donnelly's district and my own. It may be that there will be a greatly increased production of rye?

Mr. FOLLIOTT: It could be; but it seemed to us, and I think the government thought the same way about it, that there was a small quantity of it planted in the past year, and there should be no necessity for a floor; but it might develop that a floor may be necessary.

Q. Where is the rye mostly marketed?—A. There is a small home market from distillers, but largely it is an export market.

Q. It goes mostly to the United States?—A. Yes, and there is usually a good market abroad.

The CHAIRMAN: May I interject to say that we are dealing with orders in council Nos. 1800, 1801, 1802 and 1803, and rye is not included therein. If we commence discussing rye, we shall be talking about beans next, and so on.

By Mr. Wright:

Q. With reference to barley, I have been told, Mr. Folliott, that the maltsters wish to have a larger premium than they are being paid at the present time, and have made representations to the board to have that premium made greater. Is there any truth in that?—A. It would seem to me that they would be governed by the ceiling anyhow. During the base period there existed a premium for malting barley, and the way it stands now they can pay the premium that existed during the base period; but I would not think the Wartime Prices and Trade Board would permit of any greater premium being paid.

By the Chairman:

Q. If the price of oats and barley is above the price fixed by the order in council the board will not be taking delivery of any of these grains?

Mr. McIVOR: No.

Q. What will your procedure be if and when the price drops down to the guaranteed price?—A. We can take in the market oats and barley, basis these prices through the futures market; or we might take cash barley or oats, whichever was the most workable. This is the basis that we would take cash barley or oats at times, and we would be taking futures at times.

Q. And you will dispose of that crop through the regular channels in the ordinary way that you dispose of any other crop?—A. That is a little more difficult to answer. It depends a lot on the amount grown. If we have a surplus, probably there will be some arrangement made for it to go to the United States.

Q. A little while ago you quoted the price of oats and barley. That was the floor price?—A. Yes.

By Mr. Leger:

Q. There is no ceiling?—A. Yes, it is $51\frac{1}{2}$, and barley is $64\frac{3}{4}$ at the present time.

By Mr. Donnelly:

Q. Is that ceiling on oats and barley to remain?—A. That is a matter that is up to the Wartime Prices and Trade Board.

By Mr. Evans:

Q. Can coarse grains go above the ceiling set?—A. No.

Q. You are obligated to take the coarse grains?—A. We are obligated if they go to the floor.

By Mr. Perley:

Q. May I ask a question I asked yesterday or the day before: in adjusting everything up to the 31st July is there anything to prevent the millers from securing a lot of wheat at present prices and having it stored away in their different warehouses to be ground into flour for domestic purposes?—A. My answer to you on that is that I do not know, and none of us know, what the ceiling price on flour in the new year will be. I do not know what advantage or disadvantage there would be to a miller doing what you suggest in relation to domestic prices; that is something that is not determined. I will say that we as a board are going to check the situation very carefully to see that nothing is done beyond a normal position.

Q. You recall what happened with the bakers when the price was raised from 70 to 80 cents? It was discovered that they had secured sufficient flour

and had stored it in warehouses in different places, sufficient to do their basic business for several months ahead?—A. Frankly I do not know.

Q. I was wondering if the same situation would come about with respect to the mills, and would it also then apply that barley would be handled alone, because lots of the large bakeries are controlled by the milling concerns. I think the situation should be looked into?—A. I assure you that we shall look into all angles of the situation.

The CHAIRMAN: Are there any further questions you desire to ask with respect to these orders in council, or can we say that the committee has received the information it desired?

Mr. PERLEY: As far as the orders in council are concerned, yes.

Mr. McIVOR: I would like to read into the record half a dozen small corrections that were not caught when we went over the transcript:—

CORRECTIONS: Reference—Canadian Wheat Board for Crop years 1939-40 and 1940-41.

Page 30, line 28—"weekly" should read "wheat".

Page 32, line 14—"firm's" should read "farmer's".

Page 33, line 40—delete "to whom he is sending nightly cables". This is a repetition.

Page 63, line 38—"four cents" should read "less than one cent".

Page 66, line 7—"broken" should read "broker".

Page 22, lines 34 and 35—"farming business" should read "the farmer in business". The words "it is the whole elevator system" should be deleted.

By Mr. Perley:

Q. In one of the reports there is an error in the printing that I do not think you would like to leave uncorrected, and I am sure Dr. Donnelly would not, with respect to the unanimous report of the 1936 committee. It reads: "we are not of the opinion . . ."?—A. I am very pleased that you have drawn that error to my attention, because I overlooked giving it to the committee. It appears on this list in red ink at the bottom:—

Page 22, line 4—"we are not of the opinion" should read "We are of the opinion."

The CHAIRMAN: Do the members of the committee desire to have the wheat board officials continue any longer before the committee?

Mr. PERLEY: I think we should hear from Mr. Smith, and possibly further from Mr. Folliott. It is nearly 6 o'clock now. I understand that Mr. Folliott was looking after shipping.

Mr. McIVOR: I do not like to labour this appeal, and purposely I have not said anything because of the point Mr. Graham mentioned, but we have a lot of responsibility and a lot of work to do. We have been here for over a week now without very much opportunity to do anything else. I do not for a moment desire to suggest that we are not prepared to stay, but I think the committee should consider that aspect of the situation.

Mr. PERLEY: There are several witnesses whom we intended to call that have not been called, and we intended to move that certain witnesses be brought from Winnipeg but refrained. Do the members of the wheat board desire to get away from Ottawa to-night?

Mr. McIVOR: The position of the members of the board is that we have a meeting fixed for Friday in Toronto, but we have a number of things to do in Ottawa to-morrow.

Mr. PERLEY: Are you coming back this way from Toronto?

Mr. McIVOR: We had not intended to do so, we had intended to get back to work.

Hon. Mr. MacKINNON: If the committee desires the members of the wheat board to return here, they will do so, surely; but regard should be had for the importance of the work they have to do in Winnipeg as soon as they can return there.

Mr. McIVOR: I understood Mr. Perley to ask if we were coming back to Ottawa from Toronto, and I said we had not intended to do so.

The CHAIRMAN: Provided the committee will let you go!

Mr. McIVOR: Oh, yes.

Mr. PERLEY: I know Mr. Diefenbaker wanted to put some further questions. I will meet Mr. Diefenbaker to-night and consult with him, and perhaps it will not be necessary to recall anyone.

The CHAIRMAN: So far as the wheat board is concerned our agenda has been gone over. If Mr. Diefenbaker or you, Mr. Perley, desire to bring up something new, that is a matter for you to determine.

Mr. PERLEY: I would like to consult with Mr. Diefenbaker, anyway. The grain board are going to be here to-morrow?

The CHAIRMAN: Yes.

Mr. PERLEY: And these other men are going to be here to-morrow morning, anyway.

Mr. McIVOR: Except Mr. Findlay. We shall be here to-morrow. We have considerable other work to do, but if the committee wants us to attend we shall do so, of course.

Mr. PERLEY: Mr. Graham has been putting that suggestion to the committee throughout yesterday and to-day. I recall sitting on a committee with him when he appeared as counsel, and he did not mind keeping witnesses here from Chicago and all over the earth!

The CHAIRMAN: Will the committee agree to release Mr. Findlay?

(Agreed).

Mr. Findlay, we thank you very much for the information you have given to the committee. You may now return to your other duties at home.

Mr. FINDLAY: Thank you.

The committee adjourned at 5.55 o'clock p.m. to meet Thursday, May 21, at 11 o'clock a.m.

Old
Can
Com
A

CA1
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publication

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, May 21, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD FOR CROP YEARS 1939-40 AND 1940-41

WITNESSES:

- Mr. W. Charles Folliot, Commissioner, Canadian Wheat Board.
- Mr. C. Gordon Smith, Assistant Chief Commissioner, Canadian Wheat Board.
- Mr. D. G. McKenzie, Chief Commissioner, Board of Grain Commissioners of Canada.
- Dr. D. A. MacGibbon, Commissioner.
- Mr. C. M. Hamilton, Commissioner.
- Mr. John Rayner, Secretary, and
- Mr. Ralph Hetherington, General Manager, Canadian Government Elevators.



MINUTES OF PROCEEDINGS

THURSDAY, May 21, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Bertrand (*Prescott*), Blair, Cardiff, Clark, Cruickshank, Davidson, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Furniss, Graham, Hatfield, Henderson, Lafontaine, Leclerc, Leger, MacDiarmid, McCuaig, McGarry, Matthews, Mullins, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Soper, Tustin, Ward, Weir, Wright—37.

In attendance: Mr. George McIvor, Chairman of the Canadian Wheat Board; Mr. C. Gordon Smith, Assistant Chief Commissioner, Canadian Wheat Board; Mr. W. Charles Folliot, Commissioner; and Mr. T. W. Grindley, Secretary.

The minutes of the previous meeting held on Wednesday, May 20, were read and adopted.

Mr. W. Charles Folliot, Commissioner of the Wheat Board, was recalled and further examined.

Mr. C. Gordon Smith was also recalled and further examined.

It was then agreed,—That all members of the Canadian Wheat Board in attendance before the committee should be retired.

It was moved by Mr. Graham and seconded by Mr. Diefenbaker, that the chairman tender the thanks of the committee to the chairman and officials of the Canadian Wheat Board.

Motion carried unanimously.

The chairman thanked Mr. McIvor and other officials of the board for the assistance and information given by them to the committee during its work on the subject matter of the reference before it, viz,—The reports of the Canadian Wheat Board for the crop years 1939-40 and 1940-41.

The chairman informed the committee that the Board of Grain Commissioners were present and would be the next witnesses to be heard if the committee wished. The committee agreed and the chairman introduced the Board of Grain Commissioners of Canada as follows:—

Mr. D. G. McKenzie, Chief Commissioner; Mr. D. A. MacGibbon, Commissioner; Mr. C. M. Hamilton, Commissioner; Mr. John Rayner, Secretary; and Mr. Ralph Hetherington, General Manager, Canadian Government Elevators.

All the members of the board were then sworn in, including the secretary and the general manager of the government elevators.

Mr. Donald G. McKenzie, chairman of the board, was called and presented to the committee a submission on the leasing of government-owned elevators.

Dr. D. A. MacGibbon, Commissioner, was then called and examined.

Mr. Ralph Hetherington, General Manager of the Government Elevators, was also called and examined.

At 1.00 p.m. the committee adjourned to meet again at 4.00 p.m. this day.

AFTERNOON SESSION

The committee resumed at 4.00 p.m., the Chairman, Mr. W. G. Weir, presiding.

Members present: Messrs. Bertrand (*Prescott*), Donnelly, Douglas (*Weyburn*), Evans, Fair, Graham, Henderson, Lafontaine, Leger, McCuaig, McCubbin, Matthews, Perley, Rhéaume, Rickard, Ross (*Souris*), Ross (*Moose Jaw*), Ward, Weir, Wright.—20.

Mr. D. G. McKenzie continued as witness.

Mr. Ralph Hetherington was also again examined.

Mr. John Rayner, Secretary to the Board of Grain Commissioners, was also called.

Dr. D. A. MacGibbon, Commissioner, was called.

Mr. Ross (*Moose Jaw*), moved, seconded by Mr. Perley, a vote of thanks to the Board of Grain Commissioners for their presentation to the committee.

On behalf of the committee, the chairman thanked the commissioners and released them from further attendance at this time.

The committee then adjourned to meet again at the call of the chair.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

ROOM 368,

MAY 21, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order we will ask the secretary to read the minutes of yesterday's meetings.

The clerk reads the minutes.

Mr. FAIR: I move the adoption of the minutes.

Mr. RICKARD: I second the motion.

Before the minutes were adopted there was an amendment made by striking out the crop year 1939-40.

The CHAIRMAN: What does the committee wish to proceed with this morning? Yesterday it looked as if the committee was about through with the representatives of the wheat board. We still have the Board of Grain Commissioners before us.

Mr. DOUGLAS (*Weyburn*): You say the wheat board are anxious to go; if that is so it would be wise to finish with them.

The CHAIRMAN: Are there any other questions you wish to ask them?

Mr. DOUGLAS (*Weyburn*): We were going to discuss order in council 1803.

The CHAIRMAN: They were all discussed yesterday afternoon and completed.

Mr. DOUGLAS (*Weyburn*): They were dealt with then, were they?

The CHAIRMAN: Yes.

Mr. PERLEY: I have one or two questions I should like to ask some members of the board with respect to the statement Mr. Findlay made yesterday about the futures position on May 14. I think it appears on page 24-B. I do not care who answers the questions I have to ask.

The CHAIRMAN: What are you referring to?

Mr. PERLEY: My questions are with respect to the position on May 14. Mr. Findlay gave us yesterday the futures and cash wheat held on that day.

The CHAIRMAN: What is your question?

Mr. PERLEY: If I have a witness on the stand I shall ask the question.

The CHAIRMAN: These are the questions that were dealt with by Mr. Findlay yesterday?

Mr. PERLEY: Yes.

Mr. W. CHARLES FOLLIOT, recalled:

By Mr. Perley:

Q. On page BB-24 of yesterday's evidence it is said that the position at the present time is they have 10,896,000 odd bushels of cash wheat and 4,462,000 odd of futures. Further on it says these futures may be May and July. I want to

know if that is the exact position of the board on May 14. I want to know where the rest of the cash wheat was in Canada, what was the position of the other wheat, say, in Canada?—A. Under order in council 1803 why we were only interested in that particular quantity of grain; that is all the grain we had bought up to that time; in fact, it is less than we had bought because in the meantime we had sold out some of the 1803 grain. That has nothing to do with the rest of the grain in Canada.

Q. Well, then, I want the position of the cash grain in Canada as of that date.

Mr. DONNELLY: That is the wheat you bought from others than producers?

The WITNESS: Yes, under 1803.

By Mr. Perley:

Q. Where is the balance they bought from producers?

The CHAIRMAN: Up to now?

Mr. PERLEY: I want the position of the cash wheat, whether at that time there was a carryover,—

The CHAIRMAN: I submit, Mr. Perley—

Mr. PERLEY: Whether held in any position.

The CHAIRMAN: I submit that is beyond the order of reference that has been submitted to us.

By Mr. Perley:

Q. You have no other interest. You have so much cash wheat, 10 million, you have so many futures, 4 million. That represents all you were holding on that date—A. Acquired under order in council P.C. 1803.

Q. Is that your exact position on that date?—A. Yes.

Q. With respect to cash wheat; you have no other cash wheat in Canada?—A. Not under that order in council. We have other cash wheat that belongs to the various boards, the '40 board and the '41 board, but that has nothing to do with the 1803.

Q. Give us the position of the wheat of those other boards up to the 31st July, 1941. Is there any portion of this in that?

The CHAIRMAN: That is in the annual report.

By Mr. Perley:

Q. There is not any of this in the annual report?—A. No.

Mr. DONNELLY: Exhibit A?—A. No.

The WITNESS: The order in council 1803 became effective in March, I think March 9. This wheat was acquired since that date from other than producers.

By Mr. Perley:

Q. Say you had an order from Great Britain to buy a few millions of wheat as of this date. From what source would that be filled, from any of your futures; if you had to hand over futures on an order from Great Britain?—A. A new order?

Q. Yes, a new order from the exporter for other wheat and it is accepted by Britain. You get your order from the Cereal Import Committee or on other futures, what source would you deliver from?—A. In the past we have prorated it over the various boards that we have in operation.

Q. No portion of these futures, then?—A. As a matter of fact we have not had an order since that time.

Q. Since when?—A. Since March 9; and as to whether we would use part of these futures against a sale to Britain or not, that has not come up yet; as to whether we would, that would be something the board would have to decide upon. It has not occurred so far.

Q. You cannot give us any opinion with respect to any sales to Britain of any consequence, large sales, since that new 120 millions that had been spoken of before?—A. No, no sales since.

Q. No sales since that?—A. No.

Q. That is May, 1941. You must have had sales, surely, since that?—A. That is the last sale we have had.

Q. To Britain, 120 million, as in this report in May, 1941?—A. No. There are two 120 million lots. There was this May one and one in October. There were two sales of 120 million.

Q. One last October?—A. Yes. That is beyond this reference.

Q. What is reported here is May, 1941? That is the one we have had under this discussion?—A. We have had another sale since that date of 120 million.

Q. Another 120 million?—A. Yes.

Q. Was it not November?

Mr. GRINDLEY: October or November.

The WITNESS: It was in the fall.

By Mr. Perley:

Q. I think the minister made a statement in the house and I think November was the date mentioned?—A. That is possibly right.

Q. That order has not been filled yet?—A. It is being filled.

Q. Gradually?—A. Gradually. I believe we still have some futures to give up for account of the Cereal Board.

Q. To fill that order you will have some futures to give up. Will they come out of this 4,462,000?—A. No. That sale was made last fall. It would be taken out of the various boards that we had that in at the time. It would be pro-rated between the various boards. We have some 1939 wheat, some 1940 wheat and some 1941 wheat. The 120 million would be distributed from these Boards.

Q. With respect to these other wheats, you are holding some futures then as of that date?—A. Yes. This is only 1803.

Q. 1803 covers the 1940?—A. That covers the freezing of wheat so that no speculator or profiteer can profit by the government raising of the price from 70 cents to 90 cents. That is what 1803 has to do with, to see that no one can profit speculatively or otherwise by the government's action.

Q. You have got quite a lot of adjustments to make before the end of July?—A. We will not know until the end of that time. I presume there will be some further adjustments to make.

Q. You heard the discussion that has taken place with respect to brokerage fees paid to these different brokers and one thing and another. You made a statement to me yesterday which I just want you to explain a little. It is not on the record. It is more or less a conversation that we had afterwards. You said there would be no chance in the world of my having these brokers brought before this committee. You said that yesterday?—A. Yes, I did.

Q. And you mentioned four. I did not know who you had reference to. Evidently you had four in mind. I said, "What do you mean?" You said, "Those four men you have in mind would not stick their necks out," and that I could not get them down here under any conditions?—A. No. I did not exactly say that. Where does this brokerage business come in? I thought it was all through with.

Q. No.—A. I have got an answer for you.

Q. I just want to know what you meant when you said yesterday in the presence of two other parties what I have said—A. I meant that—

Q. Just pardon me. What did you mean when you said that I would have a difficult time in getting any of these fellows down, and that as for the four I had in mind there would be no question about it, I could not get them here under any circumstances?—A. I do not know that I mentioned a number. But I will give you the answer. The reason that I do not think you would get them down here is because the Canadian Wheat Board have treated those brokers and all brokers fairly, having regard to their experience and ability.

Q. You said, "They would not stick their necks out; it would be zip."—A. Oh, no—for the reason that these brokers have been treated fairly and reasonably by the board.

Q. Why would they not want to come?—A. If you have been treated fairly and reasonably, why would you want to come down before a government committee and say that you had not been?

Q. Oh, no. They might come down and say they were treated fairly.—A. You were bragging about these fellows you were going to get to come down here and give evidence against the Canadian Wheat Board.

Q. I did not brag.—A. You were telling about—

Mr. DONNELLY: Is the reporter taking all this down?

Mr. PERLEY: I want it on the record.

The WITNESS: You were telling me that there were seven brokers who would come down here and give evidence against the Canadian Wheat Board.

Q. I did not say against the Canadian Wheat Board and I did not say any number.—A. You mentioned six or seven.

The CHAIRMAN: Now, gentlemen—

Mr. PERLEY: Just a minute, Mr. Chairman.

The CHAIRMAN: I am just coming back to this. We are having a discussion here that is not evidence or anything of that character. If the committee wishes to bring the brokers here, that is for the committee to decide.

Mr. PERLEY: We will just settle that, Mr. Chairman.

The CHAIRMAN: I am just pointing out that no one has anything to say whether or not this committee is going to bring the brokers down except this committee; and that applies to any other witness we wish to have before us. If the committee wishes to have them here, I would contend that it would be in the committees' own hands to make the decision.

Mr. PERLEY: All right. I am not going to have Mr. Folliot put words into my mouth. He approached me yesterday. I did not say a thing to him.

The WITNESS: I did not approach you at all. That was when we were going out the door.

Mr. PERLEY: All right.

The CHAIRMAN: I submit that this discussion has not anything to do with what we are carrying on here. This is an outside conversation, apparently, that is being brought out at the present time. It is not even evidence or cross-examination of a witness.

Mr. PERLEY: It is evidence. I want it on the record.

An Hon. MEMBER: It is nice stuff.

Mr. PERLEY: You approached me yesterday going out the door.

The WITNESS: No. As we went out the door you made some crack about bringing six brokers.

Mr. PERLEY: I did not make any crack.

The WITNESS: You did, too. You made a crack about that.

Mr. PERLEY: Mr. Chairman, I object to this witness putting words in my mouth.

The CHAIRMAN: I think the whole procedure is out of order. I do not wish to call the committee to order, though if there is something pertinent to the discussion.

Mr. PERLEY: Mr. Chairman, I object to this man putting words in my mouth. I will call another witness to prove that I am right, that he went out of his way over there, came over to me and laughed and said, "You are having a nice time." I said, "What do you mean?" He said, "Talking about bringing these four men down." He said, "You could not get them down here under any circumstances."

The CHAIRMAN: Let me put this up to the members of the committee. Are we going to continue this kind of discussion at the present time?

Some Hon. MEMBERS: No.

The CHAIRMAN: If we have a witness to bring, and if it is the wish of the committee to bring him, that is for the committee to decide. We are dealing with certain reports that have been submitted to this committee, and conversation that may go on in the hall or any place else is not evidence before this committee.

Mr. PERLEY: All right. Then have I the right to make a statement now, Mr. Chairman, as a member of the committee?

The CHAIRMAN: Yes. You are a member of the committee.

Mr. PERLEY: Then I make this statement: when this committee adjourned yesterday I was standing over there about six feet this side of the door and Mr. Folliot came around with Mr. Smith and he said, "You are having a nice time."

Mr. CRUICKSHANK: Are you not?

Mr. PERLEY: Sure. He was laughing. That is all right. Laugh! Sure! I would like you to put that down. He said, "You would have a great time getting these witnesses down from Winnipeg." I said, "What do you mean?" He said, "The four men that you suggested." I said, "I never named four men," and I have not before this committee; never even asked for four men; never once. I said, "What do you mean?" He said, "Well, you would never get those fellows down here. You could not possibly bring them." Mr. Smith heard this conversation. I said, "Well, we would have power to call them if we wanted to call them as witnesses." He said, "There is no chance of those fellows coming down here and sticking out their necks." And, furthermore, I may say that Mr. McIvor, when we went out in the hall, said, "Those fellows would not come." He said, "I will tell you that they have been well treated, these men you have reference to." I said, "Who have I referred to?" I had not mentioned any names. I said, "Who in the world have I referred to?" I said, "There must be something." So I want Mr. Folliot now to say what he meant when he said I could not get those men down here and they would not come down and stick their necks out.

The CHAIRMAN: Of course, the members of the committee have no evidence as to that.

Mr. PERLEY: I have the right to make that statement.

The CHAIRMAN: Of course you have the right to make the statement, and you have made the statement. But members of the committee did not hear any statement of that character.

Mr. PERLEY: Well, that is what happened yesterday. And I was just asking Mr. Folliot what he meant when he said that we could not get these men to come even if we summoned them.

Mr. DONNELLY: I think, Mr. Chairman, it is a matter of record somewhere here in the evidence where Mr. Perley said he could bring five or six men from Winnipeg.

Mr. PERLEY: Just find that.

Mr. DONNELLY: Well, I think that the committee would remember. I am just looking for it now. I am almost certain that he said that, but my memory just fails me as to where.

Mr. Ross (*Souris*): Why could you not bring a dozen if you subpoenaed them?

Mr. PERLEY: Sure. I should like to know both from Mr. Folliot and Mr. McIvor what they meant when they said these men had been well treated. No names were mentioned. I should like to know what they meant when they said they had been well treated and would not come here.

The WITNESS: I meant, Mr. Perley—

Mr. DIEFENBAKER: Mr. Chairman, I think that this just comes back to the one point. Some days ago certain of us endeavoured to get a record to show how brokerage was distributed in the Winnipeg Grain Exchange. All the way along the line we have endeavoured to get information, and the committee has seen fit to vote against many things that we wished to look into. According to the instructions that we have received, in the distribution of the sum of approximately \$1 million referred to yesterday—that portion of which was paid out in brokerage—our information is that the wheat board prefers certain brokers in Winnipeg, friends of that board, and that the members of the grain exchange are paid on the basis; some of them \$50 a month, others \$75 and some others—a small few—are receiving sums running to \$8,000, \$10,000 and \$12,000.

We asked for that information and we did not get it. It was refused by the committee and we accepted its decision. But I think Mr. Perley is entirely within his rights when he asks Mr. Folliot a question, and I am sure Mr. Folliot will be willing to answer why he should state that if we endeavoured to call any of these men from the Winnipeg Grain Exchange to give evidence here, they would get their necks cut for so doing.

Mr. DONNELLY: Do you say there are some men discriminated against on the Winnipeg Grain Exchange?

Mr. DIEFENBAKER: Yes.

Mr. DONNELLY: Give the committee their names.

Mr. DIEFENBAKER: Produce the records.

Mr. DONNELLY: You have made a charge. Give the committee the names. Who are the men whom you say are discriminated against on the Winnipeg Grain Exchange?

Mr. DIEFENBAKER: When we asked for production of the records they were denied to us. Mr. Hanson suggested that payments were being made to men who are doing nothing. That has now been admitted.

Mr. DONNELLY: Who are they?

The CHAIRMAN: Order, please.

Mr. DIEFENBAKER: Mr. Hanson said that payments were being made—

Mr. AYLESWORTH: I am a member of the committee!

Mr. TUSTIN: Mr. Chairman, remarks have been hurled across the table here to the effect that certain men should not open their mouths because they are not members of the committee. I think such remarks should be withdrawn. The hon. gentleman who has been referred to is and has been a member of the committee and has attended almost every meeting of the committee.

The CHAIRMAN: I did not hear those remarks, and I do not think they were intended in that sense.

Mr. TUSTIN: I think such remarks should be withdrawn.

Mr. AYLESWORTH: If I were not a member of the committee I would not be here.

Mr. DIEFENBAKER: Mr. Chairman, I said that Mr. Hanson had made the statement in the house that according to his information there were payments being made by the wheat board to the members of the exchange for little or no services rendered. That is now admitted. The evidence is that the distribution being made is a distribution of funds by the wheat board or third parties to all members connected with the exchange without regard to services rendered. There is no question that we should have been allowed to receive the information as to how much is being paid to each of the members of the exchange. We ask the wheat board to produce the records and the records will show the story. The committee deny us the right and opportunity of establishing the allegations, statements or information set out in Mr. Hanson's speech in the house and it would have cleared the whole situation up if this information had been furnished.

Then under paragraph 2, subsection 5 of the agenda we are entitled to a complete breakdown of storage, insurance, interest, brokerage and commissions. We were not given any such breakdown. That is not our agenda but the agenda of the committee. There is only one way to break down brokerage and commissions and that is to take the sum of \$1,000,000 and divide it up as it was divided most fairly by the comptroller yesterday, and then give us the figures as to how the amount was distributed. We would then know if there is any foundation for the suggestion made.

The CHAIRMAN: As far as the agenda is concerned, it was understood to be in accordance with the order of reference.

Mr. DIEFENBAKER: Yes. I have endeavoured at all times to refrain from asking any question beyond the period of reference, and I think the rulings in that regard were correct; but I submitted to the committee on agriculture certain matters and when I asked for certain records they were denied.

The CHAIRMAN: The committee made that decision.

Mr. DIEFENBAKER: There has been considerable heat manifested here. The committee made the decision and denied to any one of us the opportunity to establish how brokerage was distributed. We know now that it was distributed arbitrarily by the wheat board without regard to services but we do not know who are in the king row and who are in the crumb row. Who received the large and who the small payments.

Mr. McCUAIG: Mr. Chairman, this whole question was discussed by the committee and voted upon by the committee. I submit that the members should abide by that vote.

The CHAIRMAN: Does anyone desire to put further questions to any member of the wheat board.

Mr. DIEFENBAKER: I would like to ask Mr. Folliot a further question. Is it permissible, Mr. Chairman, to inquire with regard to the situation on July 2 and 3, 1942, with reference to prices on the exchange when the minimum trading price was reduced?

Mr. DOUGLAS (*Weyburn*): You referred to the year 1942. Do you mean the year 1940?

Mr. DIEFENBAKER: It refers to the 1940 and 1941 crops. I would like to find out how much money the wheat board paid to the Winnipeg Clearing Association and how much was paid to the trade when the minimum trading price was reduced in July of this year.

The CHAIRMAN: We have not come to that yet.

Mr. DIEFENBAKER: No; but part of this wheat would be 1941 wheat. At that time the minimum trading price was reduced from about 77 cents to 70

cents, and at that time the wheat board had certain 1940 wheat. I would like to find out how much was paid by the wheat board to the Winnipeg Clearing Association and to the trade for wheat held by them at that time.

The CHAIRMAN: I do not understand how that question comes into the picture at the present time. You mentioned the year 1942.

Mr. DIEFENBAKER: I mean July, 1941. At that time the wheat board had some 1940 wheat on hand and various members of the exchange, traders and the like, had futures. What was done and how much was paid?

Mr. FOLLIOT: That is with regard to July last year?

By Mr. Diefenbaker:

Q. Yes?—A. I believe at that time the pegged price on the July wheat was $77\frac{3}{8}$ or $77\frac{1}{2}$. It was somewhere over 77 cents. Then the new crop comes along and the October wheat was pegged at 70 cents, with the result that at some time or other the market did go down from 77 or whatever the price was close to 70 cents. Well, from time to time as the market went down we did have to put up with the clearing house, naturally, funds to take care of the decline in the market.

Q. How much was paid to the clearing house and how much to the trade in general?—A. We would not pay anything to the trade. We would have long futures with the clearing house, and as the market went down from day to day we would put up the difference between the price the previous day and the new price the next day. We do that right along irrespective of that.

Q. How much was paid to the Winnipeg Grain Clearing Association?—A. I do not know whether those records are here now.

Q. Can you forward those records to the committee?

The CHAIRMAN: Does that go beyond the order of reference?

Mr. DIEFENBAKER: In so far as the 1940 crop is concerned, no.

The CHAIRMAN: Would those records be included in the annual reports of the wheat board?

Mr. McIVOR: That is beyond the order of reference; it is in August.

Mr. PERLEY: The adjustment would have to be made on the last day of July.

The CHAIRMAN: Can some member of the wheat board explain the circumstances?

Mr. FOLLIOT: I think I have explained them as they happened, Mr. Chairman, but Mr. Diefenbaker wants the amount the wheat board paid.

By Mr. Diefenbaker:

Q. My information, whether correct or not, is that at that time the members of the exchange had 2,000,000 or 3,000,000 bushels on their books and $77\frac{1}{2}$ for July and 80 cents for October, and then the order was made to reduce it to 70 cents. Did you pay money to the clearing house?—A. We did, if the market went down. We are going to tell you of the wheat that we were long. Whatever the market went down, on that quantity of wheat that wheat would be worth so much less. If it went down 2 cents per bushel and we had 3,000,000 bushels, we would put up 2 cents to the clearing association in cash on 3,000,000 bushels.

Q. You can tell us how much was actually paid?—A. I do not know.

The CHAIRMAN: Does that go beyond the order of reference?

Mr. DIEFENBAKER: July 31 is the close of the year.

The CHAIRMAN: But this report deals with the annual crop years 1940-41.

Mr. DOUGLAS (*Weyburn*): This is July 31, 1941.

The CHAIRMAN: Then the information must be in the statements.

Mr. DIEFENBAKER: No; it is not there. That is why I am asking for it. Mr. Folliot says it could be provided, that it is available.

Mr. FOLLIOT: Naturally it is available, because the report indicates the quantity of wheat we were long at the end of July last year. Whatever the market may have gone down on the futures we held we would have had to put that money up.

By Mr. Diefenbaker:

Q. It is a matter of computation?—A. Yes. It is a matter of computation. I think you can figure it out.

Q. You can do it right from the report and tell me the amount.

Mr. ROSS (*Moose Jaw*): You would have to have the daily fluctuations to do that.

Mr. PERLEY: It is the last day.

By Mr. Diefenbaker:

Q. It was a complete settlement at the time?—A. We were long as at the 31st July: 50,716,000 futures.

Q. Approximately what would be the amount paid? There was a reduction to 70 cents?—A. I do not think it touched 70 cents.

Q. From 77½ to what?—A. Mr. Smith may help us.

Mr. SMITH: The peg was reduced to 70 cents, but my recollection is that the market did not go down to the peg, but went down to 72 or 73 cents.

By Mr. Diefenbaker:

Q. So the amount that would be paid would be an amount between 72 or 73 and 77½?

Mr. SMITH: Yes, call it 5 cents.

Mr. PERLEY: Where do you find that in this report?

Mr. SMITH: You find it by taking open futures contracts and deducting the amount left open on the British sales.

Mr. DIEFENBAKER: I do not think what you are saying will appear intelligently in the record. Refer to specific items.

Mr. SMITH: I refer to exhibit "C" of the 1940-1941 report:

"Deduct: Open futures sales contracts as at 31st July, 1941."

On exhibit "E" it is the same item.

Mr. FOLLIOT: Less the Cereals.

Mr. SMITH: Then deduct the balance of the sales to the Cereals board.

Mr. PERLEY: Where is that shown?

Mr. SMITH: Of course, these are questions you should have asked Mr. Findlay.

Mr. DIEFENBAKER: You all seem to know the answers.

The CHAIRMAN: But they do not know where to find them.

Mr. SMITH: The 28,833,000-00 appearing in exhibit "C" is the deduction. We sold futures on that date on account of the sale to Britain, so if you deduct the 28,833,000 on exhibit "C" from 79,450,000 long on exhibit "E" you will get the figure of 50,000,000 odd that I gave you a moment ago.

By Mr. Douglas (Weyburn):

Q. That would be roughly \$2,500,000 you would have to put up, Mr. Folliot?—A. Yes.

Q. Did you get that back in any form?—A. Yes, the May wheat is now up to 79¼.

Q. In the event of it not coming up you would lose money?—A. Yes.

By Mr. Wright:

Q. Did you actually lose money?—A. That is hard to say, because there is still considerable wheat undisposed of.

By Mr. Perley:

Q. In exhibit "A" of the same report you show a net loss of \$79,000,000 in the three years' operations. (No response.)

The CHAIRMAN: It is rather unfortunate that further questions are being put with respect to the financial statement. We kept Mr. Findlay here to deal with these matters, and the committee allowed him to retire last night. The members of the wheat board are not as well equipped as the technical accountant to deal with these matters, and I do not know whether the committee will be able to extract much information out of these gentlemen without a great deal of discussion. At the outset I asked the committee how they desired to deal with the financial statements, whether item by item, or by picking certain items out.

Mr. PERLEY: In reply to that may I say that we have had these witnesses on the stand, but when one would ask a witness a certain question he would say that Mr. So-and-so could deal with that.

The CHAIRMAN: And every question has been dealt with.

Mr. PERLEY: We have been jumping from witness to witness without any carry-through.

The CHAIRMAN: So far as the chairman of the committee is concerned, at the outset when it was proposed to examine Mr. Findlay the committee was asked if they wanted to go over the report item by item or to pick out certain items, and they decided upon the latter course. So far as the chair is concerned, I am bound to say we followed the procedure that the committee agreed to.

Mr. ROSS (*Moose Jaw*): And agreed to unanimously.

Mr. PERLEY: You will admit that when certain men giving evidence referred to a part of this report they would say that Mr. So-and-so would have to answer such and such a question. It was impossible to get a consecutive follow-through with the witnesses.

The CHAIRMAN: Are there any further questions you desire to ask the members of the wheat board with respect to these matters, or is the committee willing to allow the wheat board to retire and proceed with the examination of the members of the Board of Grain Commissioners? (Agreed.)

The CHAIRMAN: May I call all the members of the Board of Grain Commissioners before the committee. Does the committee desire these members sworn as the former witnesses were?

Mr. PERLEY: No.

Mr. DIEFENBAKER: It might appear to be discriminating if we do not swear them as witnesses, having sworn the officials of the wheat board.

The CHAIRMAN: I agree with you. I now introduce the members of the Board of Grain Commissioners to the committee:—

Mr. D. G. McKenzie—Chairman

Dr. D. A. MacGibbon—Commissioner

Mr. C. M. Hamilton—Commissioner

Mr. John Rayner—Secretary

Mr. Ralph Hetherington—General Manager, Canadian Government Elevators.

Mr. GRAHAM: Mr. Chairman, before proceeding with the evidence of the members of the Board of Grain Commissioners may I suggest, in view of the

fact that the members of the wheat board have now been stood down, that the committee should express its appreciation to the members of that board. I think most of us, including Mr. Diefenbaker and Mr. Perley who took a leading part in the cross-examination—if you can call it that—of the members of the wheat board will agree that we have been fortunate in having before us the gentlemen who are charged with the task of marketing the Canadian wheat. I therefore move a vote of thanks to the members of the wheat board.

Mr. DIEFENBAKER: I have much pleasure in seconding the vote of thanks to the members of the wheat board for their attendance before the committee. (Carried unanimously.)

The CHAIRMAN: May I extend to the members of the wheat board this expression of appreciation by the committee. If at some future time we require you to appear before us I hope you will be able to assist us as you have on this occasion.

Mr. McIVOR: Thank you.

The CHAIRMAN: I ask the clerk of the committee to swear the members of the Board of Grain Commissioners. (Whereupon the members of the Board of Grain Commissioners were duly sworn by the clerk.)

The CHAIRMAN: One question which some members of the committee desired answered by the Board of Grain Commissioners was with respect to the operation of government-owned terminal elevators. Would you care to have a statement from a member of the board at the outset and then ask any questions that occur to you? In that way we might get the background and set-up.

Mr. Ross (*Souris*): Might it not give us a clear picture if some member of the board would explain how they set the cost of storage, or what the elevator companies or terminals are allowed to charge?

The CHAIRMAN: Could we deal with that later? The question put first by the steering committee referred to government-owned terminal elevators. Perhaps we could let the chairman of the board make a general statement of what he had planned to say after listening to a good many sessions of this committee.

Mr. McKENZIE: I do not know that we planned to say anything particularly, Mr. Chairman, other than to give you any information you desire, provided we are able to do so. I have prepared a short statement with respect to the lease that we took from the McCabe Elevator Company covering our elevator at the head of the lakes.

Perhaps I could answer at once Mr. Ross' question in a general way, as it will furnish a background to the earnings in the terminal house we run. With respect to the fixing of storage charges, the custom of the board is to call into conference all the interests that are affected by these charges.

By Mr. Graham:

Q. In order to make the record clear, Mr. Mackenzie, I think you were technically wrong when you said you had taken a lease from the McCabe Elevator Company. You leased the government-owned elevator to McCabe Bros?—A. Yes.

Q. And they pay you rent?—A. Yes.

Q. I think you reversed the process?—A. I am sorry.

We called these various interests in to discuss with them the whole question of storage rates and obtained their opinions and any information they cared to give us.

By Mr. Tustin:

Q. Does that include the pools?—A. It is an open meeting; the producers could appear if they desired to do so. With that information the board meets separately and determines on the rates that shall govern for the following year. Does that answer your question, Mr. Ross?

Now, if I may proceed I will read to you a short statement governing the leasing of the elevator at Port Arthur:—

The Port Arthur government elevator was constructed during the crop year 1912-13 with a storage capacity of 3,250,000 bushels. The original capital cost was \$1,403,028.67. Charges for additions and improvements subsequent to the construction brought the capital cost up to December 31, 1934, to \$1,530,334.09. No depreciation account is maintained on government constructions but if an annual depreciation rate of $1\frac{1}{4}$ per cent were considered reasonable on the original capital cost of the plant its present value would be \$929,274.24. From the date of its opening it was operated as a public terminal elevator by the Board of Grain Commissioners.

For many years it yielded good returns due to the expansion in wheat shipments through Port Arthur and Fort William. But between 1926 and 1931 there was a very large increase in the amount of terminal storage space constructed by private interests at these points. A total storage capacity of approximately 65,000,000 bushels at the earlier date increased by August, 1931, to approximately 93,000,000 bushels.

That is to say when the government house was built there was 65,000,000 bushels of terminal space and in 1931 it was increased to 93,000,000. With the corresponding increase of storage capacity in the country, this meant that should there be light crops or a decline in grain acreage there would be considerable excess storage in existence.

It should be noted also that additional storage at Vancouver had increased from 17,000,000 in 1922-23 to 99,000,000 in 1932-33.

The Canadian government elevator never handled a large amount of grain, but sufficient for it to yield a satisfactory return on the capital invested in it.

By Mr. Ross (Moose Jaw):

Q. That figure of 99,000,000 at Vancouver cannot be correct?—A. I will have that corrected. That is the figure given to me. I am glad you have called it to my attention.

. . . However, with the increase of storage constructed both in the country and at the head of the lakes, gradually it became apparent that the prospect of the Canadian government elevator continuing to handle a sufficient quantity to pay for its maintenance and operation was becoming very much less favourable. The prospects were that it would be used chiefly to store excess grain after the elevators owned by private interests were filled.

So apparent was this that early in 1930 the Saskatchewan Pool sought to rent the government elevator. In making application for rental, the pool pointed out that all the terminals owned at the head of the lakes by railway companies were now rented and that "no terminal elevator can operate to its full capacity nor to the best advantage unless connected with a line of country elevators." As the Port Arthur elevator at that time was still receiving a fair amount of grain, the Board of Grain Commissioners were not prepared to recommend that the Port Arthur terminal should be leased. Grain handlings at this terminal, however, began to fall off. Handlings in 1928-29 were 5,009,437

bushels; 1929-30, 323,123; 1930-31, 3,537,560; 1931-32, 146,038; 1932-33, 269,104. For the fiscal year ending 1932, the net deficit was \$33,808.41. For the year 1933 the deficit was \$51,597.71.

In January of 1932 the Manitoba pool approached the Minister of Trade and Commerce directly and stated that it would be prepared to lease the Port Arthur terminal or in the alternative exchange their smaller elevator for the government terminal. The Chief Commissioner of the Board of Grain Commissioners suggested that if it was the government's policy to lease the elevator it should be done by public tender. In February the McCabe Bros. Grain Company Limited also wrote to the board stating that they were prepared to lease the Port Arthur terminal if an agreement could be negotiated. These proposals were discussed by the chief commissioner with the Minister of Trade and Commerce and the Minister of Trade and Commerce notified the board that it should endeavour to lease the elevator with a view to reducing losses, and that the leasing should be done by public tender. It will be recalled that in 1932 Canada was in the depth of the great depression and every measure that was possible was being taken to reduce expenditures and cut losses.

As a result of advertisements that the elevator was open for lease, the Board of Grain Commissioners in June, 1933, received three tenders, one of which was however withdrawn before the tenders were opened. All of these tenders were rejected by the board as unsatisfactory, but the tenderers were informed that the board would consider any new offers they might wish to make. Only one of the tenderers did so—McCabe Bros. Grain Company Limited. After further discussion on new terms, the board decided to recommend to the minister that the Port Arthur terminal should be leased to McCabe Bros. Grain Co. Ltd. for one year. The recommendation was accepted and the lease prepared and the elevator was leased for one year beginning August 1, 1933, and the order in council validating the agreement was passed on that date.

One factor in the situation was that as soon as the elevator was leased to a private interest it became subject to provincial taxation. On the basis of 1933 rates it was estimated that this would amount to \$38,146.88. McCabe's original offer was for a net rate of \$33,000. Subsequently this was increased to \$45,000. The lease provided that a rental of \$45,000 based on a handling of 9 million bushels should be paid, plus one-half cent a bushel on all grain handled over 9 million bushels. It was also provided that if the storage rate were increased, an additional half cent per bushel on average daily stocks for that part of the year when higher rates were in force should be paid. The Board of Grain Commissioners agreed to pay for major repairs and replacements. In case of a disagreement between the parties about these repairs arbitration was provided for.

McCabe Brothers were given an option to renew their lease for one or two years. The lease, when executed, was signed by the Minister of Trade and Commerce. McCabe Bros. exercised the option and a second lease was signed beginning the 1st of August, 1934, for two years, with the option of a renewal for a further three years. This lease embodied the same rental terms as the preceding one and was signed by the Premier, Mr. Bennett, acting for the Minister of Trade and Commerce. The option was again taken up and a third lease was executed to run from the 1st of August, 1936, to the 1st of August, 1939. This lease did not contain any renewal option.

During the crop year 1937-38 McCabe Bros. Grain Co. Ltd. approached the board with the proposal that it should instal additional cleaning facilities for which they were prepared to pay an increased rental. At

this time the carryover of wheat in Canada had fallen to 32,937,991 bushels. When the new lease was signed it had fallen to 23,411,171 bushels. Provision was made in the new agreement for cleaners. The order in council was passed on the 23rd June, 1938. The lease then in existence was cancelled as of July 31, 1938 and a new lease made which ran from August 1, 1938, to August 1, 1944. The rental was increased from \$45,000 to \$51,000. The cost of the new cleaners installed, for which the additional rental of \$6,000 was put in the lease, was \$29,494.60. Installation and incidental machinery necessary amounted to approximately \$15,000. The lease was made for six years on this occasion so that the additional rental would ensure payment for approximately 80 per cent of the total costs of the additional cleaners. In February, 1939, McCabes appealed to the board for a reduction in the rental on the ground that the terms were proving unduly onerous. This request was refused.

Under the terms of the lease the board has received an average rental of approximately \$60,000 per year but has disbursed on the average around \$11,000 annually in replacements and major repairs chargeable to the elevator. In addition to these expenditures, the piling and revetment walls had to be rebuilt at a cost of \$51,121.75. On a depreciated value of \$929,274.24 plus additional costs not depreciated of \$127,306.00, this would mean a yield of approximately 4 $\frac{2}{3}$ per cent on the investment.

It should be noted that the elevator was opened in 1913 and that many of the repairs and replacements called for arose from the fact that the original machinery after twenty years' service had worn out. One of the terms of the lease was that the elevator should be put into good working condition. The manager of the Canadian Government Elevators pointed out in a letter to the board that the decline in revenue derived from the small volume of grain hauled at the Port Arthur elevator had not warranted the expenditure of any large sums on maintenance, and that no expenditures were being made unless unavoidable. Parts that showed wear had not been discarded as they might have been under normal conditions, but were continued in use as long as they were at all serviceable. A survey by the Barnett McQueen Company engineers, estimated the cost of putting the premises into good condition at \$76,000. The board, however, at the time, limited authorization of repairs to \$12,000, but many of the repairs specified by the Barnett McQueen Company became necessary later on and have been made. A comparison of the maintenance costs at Port Arthur with the amounts spent on the other terminal elevators operated by the board shows them to be in line with up-keep costs generally.

I think that gives you in a general way a statement relative to the lease of the house at Port Arthur.

By Mr. Douglas (Weyburn):

Q. When does the lease terminate?—A. 1st August, 1944. May I correct that figure that Mr. Ross of Moose Jaw drew to my attention. That figure did not represent the capacity of the elevator but the amount that moved to Vancouver.

Mr. Ross (*Souris*): Mr. McKenzie told us how they arrived at the storage rates which were allowed. I might point out that Mr. McKenzie is the rather recently appointed chairman of the board, but I regard it as a very fine appointment and I hope he will be able to do good work on behalf of the producers. In that regard he has an opportunity to reduce storage costs to the producers, particularly during the war. My friend Mr. Perley in "cross-examining" Mr. McIvor brought out that the board had saved the producers over \$10,000,000.

If that is a fact, it proves to me that the rates allowed for storage have been too high over the same period. Mr. McKenzie has told us about the lease to McCabe Brothers of the government-owned elevator, and we know they have made a handsome profit. We have a national terminal elevator rented to the pool—and when I say the “pool” it is to all intents and purposes part of the grain trade of this country. I notice that Mr. Donnelly on May 4 in the Railways and Shipping Committee questioned Mr. Walton about the lease of that elevator at page 162:—

Mr. DONNELLY: As to this grain elevator, I noticed in 1941 you made a profit of around \$208,000; . . .

Then at page 163:—

Mr. DONNELLY: It is reported by the pools that they made \$417,000 clear last year.

The CHAIRMAN: Which elevator?

Mr. ROSS (*Souris*): Canadian National Railways’.

Mr. GRAHAM: Leased to the Saskatchewan Pool?

Mr. ROSS (*Souris*): Yes.

Mr. DONNELLY: I know Mr. Ross does not want to be unfair. If he will read further on page 162 he will see the following:—

Mr. WALTON: The item which appears on page 14 to which Dr. Donnelly refers are two elevators which the railway operates themselves; one at Tiffin, Ont., and one at Portland.

Mr. ROSS (*Souris*): At least there would be a handsome profit there, anyway.

Mr. DONNELLY: But the \$208,000 does not refer to the government-owned elevator.

Mr. ROSS (*Souris*): It reads as if it did.

Mr. DONNELLY: No.

Mr. ROSS (*Souris*): At any rate, Mr. Wesson appeared before this committee and stated that they had made over \$400,000 profit in one year. We have already discussed the matter of government policy in assisting these people to build during the tough period annexes for storage which they were allowed to write off for the purposes of income tax in two years, although everyone realizes that they can pay for that outlay in a year. I think these rates have been rather high having regard to the amount of wheat we shall have to store in this country during the war. While Mr. McKenzie seems to have acted fairly in getting these people together and discussing the matter with them, I am of opinion that somebody must take a firm stand with these people, because the producer is entitled to a considerably reduced rate of storage throughout this country in these times. I know the chairman will take that matter into consideration in the coming year.

Mr. ROSS (*Moose Jaw*): If it is at all possible to get storage rates down I agree that it should be done, but if you go back through the records of the board you will find that a reduction was made two years ago in connection with storage rates. That reduction was made after the Board of Grain Commissioners held public meetings in western Canada and other places where they asked the producers and others to bring before the board any matters they desired to have discussed. One of those matters was storage rates. At that time the grain trade in general along with producers’ organizations did make representations, none of which was for a reduction of storage rates. There was, however, one submission made to the Board of Grain Commissioners at that time by one organization, and that organization, if you care to look up the report, was composed of the Liberal

members of the House of Commons from the provinces of Manitoba, Saskatchewan and Alberta. We asked the board for a reduction of rates, and that reduction was made from one-thirtieth of a cent to one-forty-fifth of a cent. The Board of Grain Commissions did take into consideration the representations made to them by that organization.

Mr. PERLEY: Is this a political speech?

Mr. ROSS (*Moose Jaw*): We were doing things, rather than talking about them like my friend who has talked so much.

Mr. PERLEY: I take exception to that reference to myself. I do not object to being ridden a little, but I will say that—

The CHAIRMAN: Order, please.

Mr. ROSS (*Moose Jaw*): I had the floor.

Mr. PERLEY: I rise to a point of order.

Mr. ROSS (*Moose Jaw*): Is there a point of order here?

The CHAIRMAN: Yes.

Mr. ROSS (*Moose Jaw*): What is the point of order?

Mr. PERLEY: A matter of privilege. When a member of this committee said the Liberal members of this house made the representation that was successful in getting this reduction, I interjected: "Is this a political speech?" and then Mr. Ross made the reference to which I have objected. I may say there is no Liberal member of this committee or of the House of Commons that has made more representations with a view to reduction in storage rates than I have. Mr. Ross did not make his representation on the floor of the house.

Mr. ROSS (*Moose Jaw*): Along with other members of the House of Commons I made my representations where they would get results, and after all, that is the main thing.

I started to point out that a submission had been made by members of the House of Commons from Manitoba, Saskatchewan and Alberta, and after consideration the Board of Grain Commissioners decided to move the storage rates down from one-thirtieth to one forty-fifth of a cent per bushel.

Mr. ROSS (*Souris*): Do you think the storage is too high?

Mr. ROSS (*Moose Jaw*): I would be glad to have the chairman of the board look into the matter and see if those rates cannot be further reduced, but we must keep in mind that during several years the rates paid to those storing grain were not sufficient.

Mr. ROSS (*Souris*): During the last two years?

Mr. ROSS (*Moose Jaw*): I will not say that.

Mr. ROSS (*Souris*): That is the period we are discussing.

Mr. ROSS (*Moose Jaw*): We may have a large amount of wheat to store for some years to come, or we may not. Consideration has to be given to the amount of wheat in the country at the present time. I suggest that a rate could be fixed as a war rate that would not affect storage rates when the grain trade gets back to its normal condition. I agree that the board should look seriously into the matter of lowering storage rates in terminal elevators and country elevators throughout western Canada. So far as the government-owned elevators are concerned, I do not suppose any change was made in those rates. They have been one-sixtieth of a cent instead of one-thirtieth, or one-half of the rate. I think the board should take into consideration also the keeping of those government-owned elevators filled during the period we have to store this wheat, as well as the reduction of storage rates in other elevators. The wheat board has control of wheat in this country, and the government has certain storage elevators throughout the country. During war time those two bodies should be able to get together and see that the government elevators are filled during the long period the wheat may have to be stored.

Mr. PERLEY: Now he is talking sense!

The CHAIRMAN: Gentlemen, the committee desires to secure information from the Board of Grain Commissioners. Can we confine our discussion to that objective?

Mr. DONNELLY: I would like to ask the chairman of the board if they do not set the charges for weighing, inspection and storage.

Q. You set the maximum charge?—A. Yes.

Q. It is not subject to the governor in council?—A. No; we have the authority.

Q. It was subject to the governor in council until the last Act was passed. (No response).

Dr. MACGIBBON: My impression is that if we as a board passed a regulation it could be taken to Ottawa and disallowed.

By Mr. Donnelly:

Q. Are these rates in all elevators just the same?

The CHAIRMAN: You are thinking of individual government-owned terminal elevators?

Mr. DONNELLY: No.

The CHAIRMAN: You are coming to that?

Mr. DONNELLY: No.

Q. Do all elevators charge the same rate for storing, cleaning and, so on?—

A. Do you mean either country or terminal elevators?

Q. Yes.—A. I think there are variations.

Q. Is there any variation for storage in terminal elevators?—A. Dr. MacGibbon may answer your question.

Dr. MACGIBBON: If a company puts in a low rate at one point it has to put it in at every point, to prevent the big company bearing down on the others.

Mr. DONNELLY: Is there anything to prevent a company from lowering the storage charges? If a pool wanted to lower all the storage rates from one forty-fifth to one-sixtieth of a cent is there anything to prevent them from doing it?

Dr. MACGIBBON: Not in law.

Mr. ROSS (*Souris*): But they must do so at every point.

By Mr. Donnelly:

Q. Are these pool elevators owned by the farmers themselves?—A. Yes.

Q. And the pool elevators are storing the farmers' own wheat: If the farmers themselves say I cannot store any wheat at less than one forty-fifth of a cent per bushel it does not look as if anybody else has much of an argument. Do not you think the farmers themselves should say: "We have an elevator and we will store it at one-sixtieth of a cent"?

Mr. PERLEY: They get it back in patronage dividends!

By Mr. Donnelly:

Q. Suppose the pool elevators were to say: "The storage charge is too high. We should make it one-sixtieth of a cent," would not that compel all elevators to do the same?—A. They would create a very strong competition.

Q. Or if they were to say: "We are paying one cent for making out these papers for the farmers in the country selling the grain, and we will make it $\frac{1}{8}$ th of a cent"?

Dr. MACGIBBON: A few years ago the rate was fixed at a maximum of one-thirtieth of a cent, and the pool that filed the first tariff filed it at one-forty-fifth of a cent and all elevators operated at that rate; that was in 1935 and 1936.

Mr. SENN: Then you would not say that it was at the instance of the Liberal organizations in the House of Commons?

Mr. DONNELLY: That is a different thing.

Mr. ROSS (*Moose Jaw*): This rate was changed by the Board of Grain Commissioners.

Mr. DONNELLY: You are referring to 1935.

Q. Now, it was put back to one-thirtieth of a cent, when?—A. The next crop year, 1936-37.

Q. And it remained at that rate until 1940?—A. Yes.

Q. And on the 30th July, 1940, there was a report from the Board of Grain Commissioners published in the press saying they had reduced the rates from one-thirtieth to one-forty-fifth of a cent due to the fact that representations had been made to them. If representations had not been made in the press by line elevators, by the pools, and by all those interested, would the rate remain the same, one-thirtieth of a cent?—A. Yes.

Q. They had received requests from western Liberals asking them to cut the rate, is not that the way it was?

The CHAIRMAN: I think that part of the discussion has been pretty well disposed of. I am most anxious that members of the committee get all the information they desire from the members of the board as to the operations of the Board of Grain Commissioners while they are here, because an arrangement has been made for them to meet in Toronto to-morrow.

By Mr. Donnelly:

Q. What I want to find out from the Board of Grain Commissioners is this: if the line elevators make up their minds to charge less than the maximum rate which you fix either for storage or for selling the wheat or anything else, is there anything in the Act to prevent them from doing so?—A. No.

Mr. PERLEY: Let me give you a little of my own experience: a private elevator cuts the rate and the competitor companies operating in the same place get permission to do the same in order to meet the rate at that one place.

Mr. DONNELLY: Yes.

Mr. PERLEY: That answers the question.

Dr. MACGIBBON: There are two provisions, one to prevent a large company bearing down on the owner of an individual elevator, and if they put in a tariff at that point they have to do it at every point where they operate. On the other hand, supposing you have an individual elevator who wants to cut the rates, then the other people in the neighbourhood can apply for permission to lower their rate to meet the competition at that point.

Mr. PERLEY: That is what I had in mind.

By Mr. Donnelly:

Q. We might go on now to get the names of the different terminal elevators you run?—A. First of all, we lease the elevator at Port Arthur. We operate interior elevators at Saskatoon, Moose Jaw, Edmonton, Calgary, Lethbridge and a terminal at Prince Rupert. Those are all the Board of Grain Commissioners operate.

Q. How long have you been running the elevator at Prince Rupert?

Dr. MACGIBBON: It was leased for a while at a distress rate.

Mr. MCKENZIE: I have a memorandum here with regard to the leasing of the elevator at Prince Rupert:—

The five-year lease of the Prince Rupert Canadian government elevator held by the Alberta Wheat Pool at a rental of \$11,623.28 per

annum expired on the 31st of July, 1933. Previous to this lease the elevator had been leased to the Alberta Wheat Pool for two years at \$100 per annum.

This elevator was again advertised for lease but only one tender was submitted, namely by the Alberta Wheat Pool. The board did not consider this tender at all satisfactory but after corresponding with the Alberta Wheat Pool and as no other offer was received, the elevator was again leased to that organization for two years from the 1st of August, 1933, at a rental of \$2,500 per annum, the Alberta Wheat Pool to pay, in addition to the rental, a lump sum of \$2,500 on account of repairs necessary at the elevator and also to carry out certain painting required.

On the expiry of this lease the elevator was again leased to the Alberta Wheat Pool for a period of two years from the 1st of August, 1935, at an annual rental of \$2,500. This lease was renewed for a further period of one year from 1st of August, 1937, at the same rental. The Alberta Wheat Pool surrendered the elevator to the board on July 31, 1938, on the expiration of the lease, and as no further offers were received by the board, the elevator was closed from that date until September, 1939, when it was re-opened and operated by the board as a public terminal elevator in order to provide storage space for part of the large crop of 1939.

By Mr. Donnelly:

Q. What has been your financial experience since 1939 when you took it over and ran it? Have you been making money or losing it, or what?—A. In the year 1940-41 the records show we lost \$2,724.80.

Mr. PERLEY: What is the capacity of it?

Mr. DONNELLY: 1,250,000 bushels.

Q. How much wheat did you put through the elevator that year, or how much did you handle?—A. It is full.

Mr. HETHERINGTON: From the 1939 crop about 1,000,000 was shipped to Prince Rupert, and later on another 73,000 bushels was shipped there.

By Mr. Perley:

Q. And your last year's operations resulted in a loss? The elevator is full of wheat, but you have sustained a loss? How do you account for that, Mr. Hetherington?—A. For the crop year 1939-40 we took in 1,155,662 bushels. The earnings for that crop year were \$38,751.51. The operating expense was \$33,522.79, leaving a surplus of revenue over expenditures of \$5,228.72.

By Mr. Ross (Moose Jaw):

Q. And that covers taking the grain in and cleaning it, and all the rest of it, Mr. Hetherington?—A. Yes.

Q. You had those charges where you would not have had them if the elevator was held full for a year?—A. Yes. The 1940-41 period was only 8 months. The reason is that we adjusted our accounts to correspond with the government fiscal year; previously we operated on crop years from the 1st August to the 31st July. We closed our books on March 31, 1941. During that 8 months period ending March 31, 1941, we took into the elevator 73,089 bushels. The earnings for that 8 months were \$24,765.33. The operating expenses were \$20,655.48, leaving a surplus of revenue over expenditures of \$41,109.85.

In the fiscal year 1941-42 from the 1st April, 1941, to the 31st March, 1942, we took in no grain, as the elevator remained full. The earnings were \$34,777.71. The operating expenses were \$29,994.52, leaving a surplus of revenue over expenditures of \$4,783.19.

By Mr. Donnelly:

Q. That would be for storage alone practically?—A. Yes.

Mr. PERLEY: Mr. Chairman, Mr. McKenzie dealt first with the McCabe Bros.' elevator. Why not clean that up before going on with the individual elevators.

Q. Could you give us the amount you paid to McCabe Bros. for grain stored in the elevator, Mr. McKenzie?—A. We do not pay anything; it is the wheat board—

Q. Have you any idea what the wheat board paid?—A. Not necessarily the wheat board, but whoever owns the wheat.

Q. Can you indicate to the committee how much the wheat board have paid for government wheat stored?—A. No. McCabe Bros. have 104 country elevators, and if you figure it out at even 50,000 bushels per house that gives them over 5,000,000 bushels that went into their houses.

Q. A lot of that would be taken on the board's account and shipped to their terminal?—A. We have no knowledge of that.

Q. That is something we should have obtained from the wheat board, you say?—A. I cannot give it to you anyway.

By Mr. Evans:

Q. Adverting to the Prince Rupert house, you stated that in the crop year 1941-42 your house was full. Why were your operating expenses \$29,994.52 when you were not handling any grain?—A. I will ask the superintendent of the house to answer that question.

Mr. HETHERINGTON: We have to maintain a staff at the elevator because we do not know what is going to happen to the grain. Also we have to maintain the plant at Prince Rupert to a greater extent than in the case of any other elevators, on account of climatic conditions: the machinery has to be kept operating on account of moisture, and motors, belts and everything else have to be run; and we are paying a minimum power account of \$400 per month whether we turn a wheel or not.

By Mr. Ross (Moose Jaw):

Q. Even if you closed your elevators you would have to make a turn-over of the machinery in all of them?—A. Yes.

Mr. McKENZIE: We have to protect the grain from infestation by mites, too.

By Mr. Graham:

Q. Mr. Hetherington, is there any portion of headquarters administration charged to Prince Rupert?—A. Yes, the head office expense at Port Arthur is distributed over all the elevators and Prince Rupert is included.

By Mr. Perley:

Q. Mr. McKenzie, you made the statement earlier that business fell off at the McCabe Bros.' elevator or the elevator at Port Arthur in the year 1922-23 when the government was operating it. That would be natural, I suppose, because other elevators would ship to other terminals where they might get a better deal or where they are operating their own, and there would be a discrimination more or less against the government elevator while there was lots of space?—A. Yes, in a short crop year when you have all kinds of space the country houses naturally ship to their own terminals.

Q. To what extent do you find that going on now?—A. What do you mean?

Q. Other elevators shipping to your elevators?—A. We are operating only the interior houses. Prince Rupert is full, and the interior houses are relatively full.

Q. There is some grain taken by other companies into that elevator?—
A. Yes.

Q. Do you find any discrimination at all?—A. I would not say so. Have you any comment to make on that, Mr. Hetherington?

MR. HETHERINGTON: The position with regard to the interior terminal elevators generally is that when there is space available at the terminals, that is at the lake head and at Vanlouver, there will not be much grain moving into the interior houses. Grain put into interior houses eventually must come to the lake head or to Vancouver, apart from the volume handled by the millers. Therefore if there is space at the terminal point there is no logical reason for increasing expense in putting the grain in and out of an interior elevator.

By Mr. Ross (Moose Jaw):

Q. When you can store it long enough it pays to do it?—A. Yes, around six months.

Q. Now, at one forty-fifth and one-sixtieth of a cent there is not the spread there used to be, and not much incentive to put the grain in there?—

A. The railways stop-over is 1 cent per 100 pounds, which is .6 cents per bushel of wheat. If the grain remains longer than six months an additional stop-over of 1 cent per 100 pounds is charged, making a total of 1.02 cents per bushel.

By Mr. Evans:

Q. To what extent have the interior houses been used in the last two years, Mr. Hetherington?

MR. DONNELLY: Give us a financial statement.

MR. PERLEY: The last three years.

MR. EVANS: 1938.

By Mr. Ross (Moose Jaw):

Q. Give us from 1939 on during the war period, Mr. Hetherington?—A. In the crop year 1938-39 the Moose Jaw elevator received 2,933,256 bushels. The earnings that year were \$96,497.78. The expenditures were \$50,072.13, leaving a surplus of revenue over expenditures of \$46,425.65. For the crop year 1939-40—this is still the Moose Jaw elevator—received 6,346,378 bushels; earnings, \$301,733.15; expenditures, \$71,370.81, leaving a surplus of revenue over expenditures of \$230,362.34.

For 1941—as I explained regarding Prince Rupert we changed from a twelve-month to an eight-month period—for the eight-month period ending March 31, 1941, we took in 501,856 bushels; the earnings were \$223,730.19; expenditures \$36,906.72, leaving a surplus of revenue over expenditures of \$186,823.47.

For the fiscal year 1941-42, ending March 31, 1942, we took in 3,827 bushels. The earnings for the year were \$338,344.92; expenditures were \$47,691, leaving a surplus of revenue over expenditures of \$290,653.92. The reason why we only took in 3,827 bushels was that the elevator was practically filled during the entire twelve-month period.

By Mr. Evans:

Q. Is the Moose Jaw house a fair example of the other interior terminals?—
A. It is very similar to the operation at Saskatoon; Moose Jaw and Saskatoon run pretty much in a line. The Alberta houses are a little different. There is more movement in and out of the Alberta houses than there is in the Moose Jaw and Saskatoon houses.

By Mr. Donnelly:

Q. You say that the storage capacity in Prince Rupert is a little over 1,000,000 bushels?—A. A million and a quarter.

Q. And you say that you had it full?—A. Practically.

Q. And you say that the storage you get is 8 cents a bushel?—A. No, one hundred and twentieth.

By Mr. Graham:

Q. You mentioned taking care of mite damage. What responsibility does your board have with regard to damaged grain in the government-owned terminal elevators?

Mr. McKENZIE: We check the condition of the house and they advise on the condition of the wheat in the house and if they see the grain is going out of condition because of mites they advise the warehouseman, and the responsibility is largely his or that of the owners of the wheat.

Mr. GRAHAM: And the board has not as yet suffered any loss in that regard?

Mr. McKENZIE: No.

By Mr. Ross (Souris):

Q. Could we have a statement on the Calgary house? This witness said there was a different set of conditions prevailing in Alberta?—A. To the extent that there is grain moving in and out more often than in Moose Jaw and Saskatoon. The position in Moose Jaw and Saskatoon is that the elevators fill up and remain that way and there is no movement in and out.

By Mr. Donnelly:

Q. What are the charges at your interior terminal elevators?—A. One-sixtieth.

Q. That is the reason why then there is a loss at Prince Rupert—or nearly a loss—because of the storage charges being one-half of what they are in other places.

Mr. PERLEY: The overhead is greater.

By Mr. Ross (Moose Jaw):

Q. There is another loss; they have to ship it out and ship it back again.

By Mr. Ross (Souris):

Q. Will you give us figures regarding the Calgary elevator?—A. For the crop year 1938-1939 at Calgary we received 2,916,001 bushels; the earnings were \$116,343.47; the expenditures were \$51,698.13; the surplus of revenue over expenditure was \$64,648.34.

For the crop year 1939-1940 we took in 2,974,757 bushels; the earnings were \$90,518.87; the expenditures were \$53,952.37, a surplus of revenue over expenditures of \$36,566.50.

For the fiscal year 1940-1941—here again is the eight-month period—we received 2,699,614 bushels; the earnings were \$95,274.71; the expenditures were \$37,668.54; the surplus of revenue over expenditures was \$57,606.17.

For the fiscal year 1941-1942, ending March 31, 1942, we took in 905,251 bushels; the earnings were \$146,316.02; expenditures \$57,282.94; a surplus of revenue over expenditures of \$89,033.08.

By Mr. Wright:

Q. Would that movement be largely because of reconditioning of wheat?—A. No, sir, just shipments.

By Mr. Ross (Moose Jaw):

Q. Before you give the figures on Edmonton, practically all of this wheat is wheat board wheat, is it not?

Mr. McKENZIE: Largely.

The WITNESS: We do not know definitely. As far as we know with regard to the interior houses the grain moves in for account of the grain board, the line elevator companies, and so on, and the warehouse receipts are issued to them. How long they retain those warehouse receipts we do not know. The only indication we have of whom the grain belongs to is when the warehouse receipts are surrendered and when the grain is ordered out, and that has been largely in the last several years to the Canadian Wheat Board.

By Mr. Ross (Moose Jaw):

Q. The reason I asked that is it almost stands to reason that that would be the case because prior to the wheat board handling so much wheat those elevators in some cases were closed down and in some cases were only partially filled because there were no fillers for them, and the wheat board act as a filler the same as do the line elevator companies?—A. We do know definitely that the movement into Moose Jaw and Saskatoon was entirely at the instigation of the Canadian Wheat Board.

By Mr. Perley:

Q. Could you give us the capacity of those elevators just so we will have them on the record?—A. Port Arthur, 3,250,000 bushels; Moose Jaw, 5,500,000 bushels; Saskatoon, 5,500,000 bushels; Calgary, 2,500,000 bushels; Edmonton, 2,350,000 bushels; Lethbridge, 1,250,000 bushels, and Prince Rupert 1,250,000 bushels.

The CHAIRMAN: Somebody was asking for information concerning the Edmonton elevator.

The WITNESS: Edmonton elevator for the crop year 1938-39: receipts 3,732,312 bushels; earnings \$129,795.75; expenditures, \$62,423.99; surplus of revenue over expenditures \$67,371.76.

For the crop year 1939-40: receipts 4,723,656 bushels; earnings \$106,063.21; expenditures \$71,014.85; surplus of revenue over expenditures, \$35,048.36.

For 1940-41—an 8-month period—we took in 1,686,930 bushels; earnings \$97,233.82; expenditures \$43,404.44; surplus of revenue over expenditures \$53,829.38.

For the fiscal year 1941-42, ending March 31, 1942: receipts 881,107 bushels; earnings \$127,798.03; expenditures \$62,676.85; leaving a surplus of revenue over expenditures of \$65,121.19.

By Mr. Graham:

Q. I wonder, Mr. Chairman, if it might not be wise for our purpose if Mr. Heatherington gave us the picture in the years in which storage was more or less at a premium for the purpose of comparison and allow us to appreciate the nature of the years on which you are giving us information; could you give us like information of a year, let us say, like 1936-37?—A. Yes, the reason I gave 1938-39 was that I understood some members of the committee asked for those years.

Mr. PERLEY: It was to abbreviate it.

Mr. GRAHAM: I would like to get the other, too.

The CHAIRMAN: I was wondering if we could put in the handling and the net position with respect to a year's operation. I think there also should be stated here the position of those terminal elevators with respect to interest charges and depreciation.

The WITNESS: I will mention that.

The committee adjourned to meet at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, Mr. Hetherington was before the committee when we adjourned our morning session and he was going to give us a further statement with respect to terminal elevators. Are you ready to continue to hear Mr. Hetherington?

Mr. RALPH HETHERINGTON, recalled.

The WITNESS: Mr. Chairman, I would like to make it clear to the committee that in connection with those figures I gave this morning and any others that I might give now the items under the heading "expenditure" included actual money spent and made no provision for interest on capital investment, depreciation of plant, property and equipment, insurance of any kind on buildings, equipment or grain in store. We pay no taxes either municipal, provincial or federal, and no provision is made in our statements for administrative services of the Board of Grain Commissioners.

The CHAIRMAN: That is very good.

By Mr. Evans:

Q. Before you start with your statement could you tell us why there is a variation in the charges? You said that in Prince Rupert the charge was one one-hundred-and-twentieth of a cent a bushel and in the interior elevators it is one-sixtieth and when you come to the head of the lakes we find the charge is one forty-fifth?—A. Yes.

Q. Why is there a variation made in the terminal elevator charges?—A. At the time the interior elevators were built it was decided by the government to keep the charges down as low as possible.

Q. By the government?—A. Yes, by the government. I am speaking of the government elevators.

Q. That is the government-owned terminals?—A. The government-owned terminals; the elevators operate by the Board of Grain Commissioners. And one reason was that no insurance was paid—that is no insurance on the grain was paid.

Q. The government carries its own insurance?—A. The government carries its own insurance and we pay no premiums to the government. The other motive in keeping the charge as low as possible was to try to influence grain into those houses. With regard to the further reduction of Prince Rupert to one-one hundred and twentieth of a cent per bushel, it was realized that no one but the Canadian Wheat Board was likely to store grain at that point, and I think on that basis the board made an agreement with the Canadian Wheat Board that on any grain shipped to Prince Rupert the storage charge would be one-one hundred and twentieth of a cent per day.

Q. What rate of storage charge is paid at Churchill?—A. I have no information regarding Churchill.

The CHAIRMAN: Churchill elevator is operated by the Harbour Board.

The WITNESS: The Department of Transport.

By Mr. Evans:

Q. You do not know what storage rate is paid there?

By Mr. Donnelly:

Q. Does not the Board of Grain Commissioners make the maximum charges on all those elevators like the terminal elevators at Fort William and Prince

Rupert and Vancouver and the interior terminal elevators?—A. I file a tariff with the Board of Grain Commissioners, and the board approves or disapproves of that tariff as they see fit.

Q. And you cut the rate at Prince Rupert to one-one hundred and twentieth of a cent?—A. Yes.

Q. Showing conclusively that when any elevator wants to cut the rate it can cut it and it is all right with the Board of Grain Commissioners, but if any other elevator company wishes to cut the rate the Board of Grain Commissioners complies?

By Mr. Evans:

Q. Don't you set the storage rate at Churchill?—A. No, sir, Churchill does not come under me at all.

Q. Does not come under the Board of Grain Commissioners?—A. The Board of Grain Commissioners is not charged with the operation of the Churchill elevator which comes under the National Harbour Board.

Mr. DONNELLY: Who controls the Prescott elevator?

The WITNESS: The Department of Transport.

By Mr. Perley:

Q. Do they control the other elevators in eastern Canada, at Sorel, Quebec and Montreal?—A. I have to speak from memory. Prescott, Port Colborne, Montreal, Quebec, Halifax and one at west Saint John.

Q. That is the Harbour Board?—A. I am not sure about Saint John.

Mr. WRIGHT: You have nothing to do with setting the tariff?

The WITNESS: No, sir.

Mr. PERLEY: What about Three Rivers?

Mr. WRIGHT: The Board of Grain Commissioners have nothing to do with the setting of the tariff?

The WITNESS: Oh, yes, I am not speaking for the Board of Grain Commissioners; I am speaking as general manager of the elevators under the board.

The CHAIRMAN: And the government operated elevators under the board.

The WITNESS: Yes.

Mr. PERLEY: The Board of Grain Commissioners sets the tariffs for all the elevators?

The WITNESS: That is a question for the Board of Grain Commissioners to answer; I should not answer it.

The CHAIRMAN: Perhaps we can get this one point cleared up in connection with the board's jurisdiction with respect to tariff in terminal elevators. Perhaps Mr. McKenzie could clear that up.

Mr. McKENZIE: There is just one thing that should be drawn to the attention of the committee: wheat at Prince Rupert or at Churchill is pretty much in a frozen position because of war conditions. It is there to stay, and you have to make your rates very attractive to get grain moving into those elevators. I do not know the situation on the Atlantic coast. I will ask Dr. MacGibbon if he would state the position there.

Mr. DOUGLAS (*Weyburn*): What is the rate at Churchill?

Mr. RAYNER: The storage charges at the Churchill elevator are as follows: the first 8 days are free and thereafter from the 1st of September, 1941, to 8th of October, 1941, one-twenty-fifth of one cent per bushel per day; from 9th October, 1941, to 31st July, 1942, one-ninetieth of a cent per bushel; from August 1, 1941, to the 31st August, 1941, the rate is one-twenty-fifth of one cent per bushel per day.

Dr. MACGIBBON: Gentlemen, when the matter came under the control of the board, up until that time it was regulated purely by the competition and each elevator had its own tariff; but when the matter came under the jurisdiction of the board they were grouped into lower lakes, upper St. Lawrence, lower St. Lawrence, and so forth. The first tariff was the tariff then in effect. Now, just as in the west, every year in July or the beginning of August the board goes to Toronto and advertises a public meeting for any representations as to rates. Those representations may be made by the exporters who are interested in moving the grain east, and there will be various changes, but because of the general competitive situation in the east each area has slight differences in the rates that are set. That is, the conditions at Halifax are not the same as they are at Depot Harbour, and there is a maximum rate, and after that maximum rate is set and approved by the board then the elevators file a tariff with us under—sometimes they are under but not over—the rates approved under those conditions. The question of winter storage comes in. That is to say, they will give a very low rate quite often for the winter months in order to keep their elevators full and then the rates will go up quite high in early April or May in order to keep their elevators empty for the rapid transfer of business; but each of this group of points have their own particular problems, and that is the way the tariff has been built up for eastern Canada.

Mr. GRAHAM: Is there any definite length of time that any filed tariff must continue to be in force?

Dr. MACGIBBON: The situation is this: originally it was for a year once it was filed. That was under the Canada Grain Act. Now, subsequently that did not work out and an amendment was brought into parliament that the tariff stood for a year unless a change was made with the approval of the board, which means that there may be an application in for a change in the tariff during the year, but it would have to be done with the approval of the board.

The CHAIRMAN: Now, are there any more questions?

Mr. EVANS: Following that up, in view of the fact that this morning you gave us the earnings of interior elevators at charges of one-sixtieth of a cent a bushel it came to my mind, why do you allow one forty-fifth to the terminals at the head of the lakes?

Dr. MACGIBBON: Perhaps I could put it the other way: why do we allow one-sixtieth at the interior terminals. Mr. Hetherington mentioned most of the facts. The private individual who puts grain into Moose Jaw or Saskatoon has to pay the switching charges and in addition to that a stop-over charge. Now, if he put that grain in for a month and took it out the cost of his grain at the head of the lakes would be higher than if he had shipped it directly to the head of the lakes, but at one-sixtieth if his grain is going to remain about six months, he breaks even, and there is an equal inducement if he is going to have grain in storage for six months and put it in to store apart from it not being a delivery point on the exchange in one place or the other. The main reason for a lower rate is to draw the grain into the government elevators.

Mr. DONNELLY: What are your rates at Vancouver—one forty-fifth of a cent, are they not?

Dr. MACGIBBON: One-sixtieth at the present time, I think.

Mr. DONNELLY: They were one-thirtieth?

Dr. MACGIBBON: They were quite closely in relation to the others, one-thirtieth I think. We have not got the figure here.

Mr. DONNELLY: I have the records for elevators west of Calgary and they are marked at one-thirtieth under the old rule.

Dr. MACGIBBON: Yes, I think you are correct.

Mr. DONNELLY: I think it is one forty-fifth in Vancouver at the present time. The grain is frozen there just as it is frozen at Prince Rupert. Why

should the rates not be the same? Why are the rates one one-hundred-and-twentieth in one place and one forty-fifth in the other?

Dr. MACGIBBON: No, there is a difference there with regard to shipping conditions. I have been very familiar in the past with the Prince Rupert elevator, and it was expected that a great deal of grain would go out of there at that time to the east, to Japan, by reason of the fact that it was 400 miles closer to Japan. Actually, it never worked out because the Japanese, when they took grain, were so economical with their shipping space that they always wanted a deckload of lumber, and the absence of a large lumber industry at Prince Rupert at that time worked out so that if they were going to buy grain they intended to buy it at Vancouver. Consequently, the normal shipments of grain out of Vancouver always took a shilling a quarter more than the rate from Vancouver to Europe and consequently from a competition standpoint the Prince Rupert elevator was in a much weaker position. To correct the other point, the maximum rate at Vancouver at the present time is one-sixtieth.

Mr. DONNELLY: When was that cut?

Dr. MACGIBBON: The 1st of August, 1940. Now, that grew out of the inferior position with most of the grain moving this way under a rate there that would fill the house really.

Mr. Ross (*Moose Jaw*): In connection with that stopover charge to the interior terminal of 1 cent a 100 pounds, is that 1 cent a 100 pounds or 1 cent a bushel?

Mr. HETHERINGTON: That is a cent a hundred pounds.

By Mr. Ross (Moose Jaw):

Q. Mr. Hetherington, that is what they call a diversion?—A. No; that is a stopover. A diversion charge is \$3 per car.

Q. And 1 cent per 100 pounds stopover?—A. Yes, when in transit or stored in transit.

Q. Is there any way of getting that charge reduced?

Dr. MACGIBBON: I think that is a matter that would have to come before the Board of Transport Commissioners.

Mr. Ross (*Moose Jaw*): It would have to be initiated by your board?

Dr. MACGIBBON: I think it would have to be initiated by the producers.

By Mr. Donnelly:

Q. Mr. Hetherington, did you say 6 cents per bushel?—A. No; .6 of 1 cent per bushel, not 6 cents.

Mr. PERLEY: The rate in the eastern terminal is set by the board and applies to all the terminals?

Dr. MACGIBBON: Yes, it is the maximum.

By Mr. Perley:

Q. Mr. Hetherington, if any terminals desire to cut that rate, can they do so?—A. They would apply to us and file it for approval; as conditions change they have done that from time to time. At all times in regard to anything in the nature of a rise, that is more serious.

Q. Some of these elevators in eastern terminals have certain harbour dues, and some have a different arrangement with respect to harbour dues, Dr. MacGibbon?—A. A large number of the eastern elevators at Montreal, and so forth, are operated by the Harbour Board and have a great many levies at their disposal. The two boards work together. They come to a public meeting and discuss their rights, and if they want a rate advanced and it is approved by us

they are required to get an order in council to make their rates valid. After having cleared up any difficulties with us the minister takes the order in council in and it is approved by council and published. That is the way the two organizations co-operate.

Q. Owing to certain arrangements with the Harbour Board where the harbour dues might be rebated or changed, some elevators might get an advantage over the other terminals?—A. Yes, quite possibly; but every time I have heard of anything of that kind it has been for the other way: somebody getting under us, not under somebody else.

The CHAIRMAN: Somebody asked Mr. Hetherington to furnish figures with respect to the government-owned terminals.

Mr. HETHERINGTON: Before giving these figures may I refer to Dr. Donnelly's remarks about the difference in storage rates, one sixtieth and 1 forty-fifth of a cent: the Canadian government interior terminal elevators that are charging one sixtieth of a cent do not pay taxes or insurance of any kind, and do not provide for depreciation of property and plants, as I mentioned a few minutes ago, and that has a bearing on the storage rates.

By Mr. Evans:

Q. Mr. Hetherington, when the government-owned elevators are leased to a grain company, are they liable to taxation?—A. Yes.

Mr. Ross, you referred to the matter of taking up with the railways the question of reduction of stopover. Probably twenty years ago Commissioner Jones, representing the Board of Grain Commissioners, and myself interviewed both the Canadian National Railways and the Canadian Pacific Railway with regard to a reduction in the stopover, and did not get anywhere; the railways would not make any reduction. Then in one particular year when there was a heavy movement anticipated into Saskatoon on account of congestion at the head of the lakes the Canadian National Railways asked the Board of Grain Commissioners to absorb the inspection and weighing fees on any grain billed to the head of the lakes which the railway might divert to Saskatoon, and the board told the Canadian National Railways that if they would reduce the stopover or eliminate or absorb it the board would be prepared to consider reducing or absorbing the inspection and weighing fees: the answer was definitely No. Since that time our elevation charge, that is our handling charge, at interior terminal elevators has been reduced to take care of that stopover, so the elevators really absorb the stopover charge.

By Mr. Ross (Moose Jaw):

Q. Then, Mr. Hetherington, you would not be at a disadvantage except when there is diversion?—A. There is no diversion charge.

Q. I thought you said there was a diversion charge of \$3 per car?—A. Yes, but only for cars diverted in transit. That is, if the car is billed to the head of the lakes and the shipper diverts it while in transit then he pays the diversion of \$3.

Q. But at the present time you have lowered your handling charges sufficiently to take care of the 1 cent per 100 pounds?—A. Yes.

Q. In other words, you put the internal storage elevator in a position contrary to what Dr. MacGibbon said. He would not have to be in there any length of time with his grain before he would be in an advantageous position?—A. No; the disadvantage has been partially removed by the board absorbing the stopover.

By the Chairman:

Q. Mr. Hetherington, perhaps you can give that statement now?—A. Are there any particular years or particular elevators the committee would like to have the figures on? I gave the figures this morning from 1938-39 to 1941-42.

By Mr. Perley:

Q. For all interior elevators?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. We wanted a comparison of elevators in past years?—A. I suggest taking the same elevators that I took this morning: Moose Jaw, Calgary and Edmonton.

By Mr. Ross (Souris):

Q. Take the same elevators for the pre-war period?—A. For the crop year 1933-34 the amount received was 1,543,695 bushels. The deficit, that is the surplus of expenditures over revenue, was \$25,770.17.

For the crop year 1934-35 the amount received was 599,149 bushels, and the deficit was \$30,642.59.

For the crop year 1935-36 the amount received was 221,786 bushels. The deficit was \$43,636.90.

On November 30, 1936, the Moose Jaw elevator was closed, and the following year it was operated for account solely of the Canadian Wheat Board.

I gave the figures for 1938-39 this morning.

By Mr. Ross (Moose Jaw):

Q. Have you the deficit the year the Moose Jaw elevator was closed?—A. Yes, that is 1936-37. We had taken in 5,548 bushels at the first of the year, and the elevator was closed on November 30, 1936. The earnings were \$6,735.80 and the expenditure amounted to \$30,404; leaving a deficit of \$23,668.20.

Then as to Calgary, for the crop year 1933-34 the amount received was 3,216,563 bushels, and the surplus of revenue over expenditure amounted to \$16,444.16.

For the crop year 1934-35 the amount received was 2,625,558 bushels, and the surplus of revenue over expenditure amounted to \$22,701.39.

For the crop year 1935-36 the amount received was 3,416,798 bushels, and the surplus of revenue over expenditures was \$44,217.38.

For the crop year 1936-37 the amount received was 404,698 bushels, and there was a deficit of \$12,473.46.

For the crop year 1937-38 the amount received was 662,291 bushels, and there was a deficit of \$33,405.24.

The subsequent figures I gave this morning.

By Mr. Graham:

Q. Mr. Hetherington, these net figures you are giving us are arrived at in what manner?—A. By deducting revenue from expenditure, or vice versa.

MR. PERLEY: I wonder if some of these figures could not be put on the record as an average?

By Mr. Graham:

Q. Mr. Hetherington, do the other points bear out the same story?—A. Yes.

By the Chairman:

Q. How do you wish to put these figures on the record, Mr. Hetherington?—A. I suggest the same years as have been mentioned.

Mr. EVANS: Could Mr. Hetherington give us the figures for Prince Rupert for the same years?

Mr. HETHERINGTON: Prince Rupert was leased from 1936 to 1938 and operated by the Alberta Wheat Pool.

By Mr. Graham:

Q. Mr. McKenzie gave us the net return on your Port Arthur elevator; a little over 4 per cent on a certain computed cost value. Could you give us the figures with regard to that elevator two or three years prior to its being leased to McCabe Bros.?—A. Yes.

Q. Please place those figures on the record, Mr. Hetherington?—A. Commencing with the crop year 1929-30, the receipts were 3,233,123 bushels; the revenue was \$278,493.24; the expenditure was \$101,127.67; and the surplus of revenue over expenditure was \$177,365.57.

For the crop year 1930-31 the receipts were 3,537,560 bushels, the revenue was \$154,004.74; the expenditure was \$99,410.52; and the surplus of revenue over expenditure was \$54,594.22.

For the crop year 1931-32 the receipts were 146,038 bushels; the revenue was \$16,923.45; the expenditure was \$77,442.54; and the deficit was \$60,519.09.

For the crop year 1932-33 the receipts were 269,104 bushels; the earnings were \$10,408.90; the expenditure was \$62,451.13; and the deficit was \$52,042.23.

The following year the elevator was leased.

By Mr. Donnelly:

Q. Mr. Hetherington, in those years from 1930 to the time the elevator was leased did you have difficulty in maintaining your grades?—A. No; not to my knowledge.

Q. There was a suggestion that in many of those years you got the wheat no other elevator wanted; that any line elevator that did not want this wheat because there was a mistake in grading, for instance, was shipped to you?—A. I have no recollection of anything being turned down for grade; any wheat turned down as dirty may have had to be re-cleaned.

Q. You had no difficulty in maintaining your out-turn after the mixing was stopped?—A. Not to my knowledge.

By Mr. Graham:

Q. Mr. Hetherington, am I right in this, that obviously your figures indicate that in poor crop years losses occurred?—A. That is the general picture.

Q. And I take it also that your experience coincides with Mr. McKenzie's, that the inclination of privately-owned terminal elevator companies is to use those facilities before turning to the government-owned elevators?—A. Yes.

Mr. Ross (*Moose Jaw*): Mr. Chairman, may I bring to the attention to the Board of Grain Commissioners one or two matters they may care to look into. I understand from what either Dr. MacGibbon or Mr. McKenzie said in answer to some member of the committee that the storage rates are set after consultation with those engaged in the trade, namely, the ordinary line elevator companies, country and terminal, and the producers' organization; and representations are made by them and rates are fixed or changed after such consultation. I take it that when those consultations are in progress these elevator companies show the board the cost of operation and all the expenditures

they must incur, both country and terminals, and I expect that in country elevators especially they would show the amount of money they had to pay out to their elevator men. Now, I have noticed during the last two years that throughout the country when these elevator companies have got their elevators filled with wheat for the first time in their lives and are drawing large amounts of money from the storage of that wheat, they figure that that elevator is going to stay filled for quite a while; and so they immediately reduce the salaries of the elevator men or discharge them, and assign one elevator man to look after three or four elevators in the country. I do not think that is a fair proposition, and I submit that it should be looked into by the Board of Grain Commissioners. I do not think any elevator company should be allowed, while drawing good storage charges, to reduce the salaries or discharge elevator men, because in the storage rates they have set up the wages of those men are supposed to be included. Perhaps it is not the business of the board, but it may well be in view of the fact that the board licenses the elevators. I think the board should investigate that matter and see if a fair deal cannot be given to the elevator men throughout the country.

Then I think the board should look into the possibility of placing automatic weighers on the spouts of the elevators in the country, especially when the railway companies are using every boxcar they can lay their hands on to carry freight. Many old boxcars are being brought back into use today in much heavier trains than formerly, and consequently there is a greater leakage of wheat between the country elevator and Fort William than there has been for years. The country elevator operator today is held responsible by the terminal elevator company for the wheat that he ships out, and when he takes grain to the railway he gets a bill of lading from the station agent setting out so many bushels "more or less". If he were to ship anything else by rail the bill-of-lading would read so many tons or pieces or parts, etc. That is marked on the bill-of-lading, and the railway company must deliver so many tons, pieces or parts; but when you get a bill-of-lading for grain from the station agent it reads so many bushels "more or less" and the only way you can get any satisfaction from the railway company is to prove that that car was leaking, which is a rather difficult thing for anybody to do. The result is that if there is a 10 bushel loss between the elevator and Fort William, the elevator man is held responsible for that loss. Whether it be the truth or not, the story is that once the elevator man is held responsible for a thing of that kind, he must protect himself when he buys his wheat; and the elevator man in the country is put in the position of at least making sure that he does not under-weigh that wheat in order that he will not lose on the transaction. If anybody loses, it is the producer of the wheat. The railway company is getting a fair rate for handling that grain to Fort William, and in the case of every other commodity the railway company would be held responsible for full delivery. Now, the only way that this situation can be avoided is by the employment of what are known in the United States as automatic weighers at the spouts. These automatic weighers meter the grain into the car; and when the elevator man wants to load a car he tells the station agent to read the meter, and after he has loaded the wheat into the car the station agent reads the meter again. Then a bill of lading is given for that number of bushels, and that number of bushels must be accounted for by the railway company. I think there are a great many thousands of bushels of grain lost to the western farmer by reason of leaky cars, and that loss is borne by him. I submit that the Board of Grain Commissioners should make an investigation into that situation in order to help the producer in this country.

Mr. PERLEY: I like to agree with Mr. Ross whenever I can. I think he has made a very instructive presentation of some of the grievances and difficulties with which the producer in this country has to contend.

With respect to laying the men off, certainly that is wrong. These men are efficient, and should not be laid off as soon as the elevator is filled. I have prepared an estimate of the cost of running my own elevator, and from my experience I would say that having regard to present rates of storage, that is, the initial elevator fee and the commission—under the Act dockage is allowed—the elevator man is going to protect himself; and you cannot pass any law to prevent him from doing so.

The CHAIRMAN: Did you say you are speaking from experience?

Mr. PERLEY: Yes. It is only human nature. I had to meet competition. The elevator man will protect himself.

In regard to the use of automatic weighers at the spout of the elevator which meter out the grain, I think Mr. Ross has made a very constructive suggestion. The cost would not be prohibitive: but it might be difficult to secure the equipment at this time. Again speaking from my own experience, in one season alone I had a 700 bushel shortage with one terminal elevator, although I had had the same man working for me for ten years. We had shipped to three other terminals as well that year and handled 165,000 bushels. The elevator at Fort William had shortages amounting to 700 bushels which we had to make good to the farmer. I sued the elevator.

Mr. Ross (*Moose Jaw*): Did you have to make good to the producer?

Mr. PERLEY: Yes. My elevator man was nearly crazy when the cars would come back "short". Most of it went to the Lake of the Woods and western Canada, but the wheat that went to Fort William was short to the extent I have indicated. After putting in claims I decided to sue, and the elevator company came through. That is the only way I could get a settlement with them. Mr. Ross has touched upon a vitally important matter in suggesting weighing the wheat, and thus procuring a record of what is put in the car. I think the board would do well to take that suggestion into consideration.

The CHAIRMAN: Would not all your wheat be government-weighed at Fort William?—A. Yes, it is weighed in the elevators, and we have to take the government weight there and make good any shortage in the car.

Mr. Ross (*Moose Jaw*): Some of these cars are like concertinas now!

Mr. WRIGHT: They are being overloaded at the present time. I agree with Mr. Ross in regard to weighing the wheat into the car if it can be done at a reasonable cost.

Mr. Ross (*Moose Jaw*): I understand that they have the automatic weigher at the spout in some states, and in some states it is a state law to install a revolving automatic weigher in the spout.

Mr. PERLEY: What is the cost?

Mr. Ross (*Moose Jaw*): I do not know; and it might be difficult during war time to get the equipment.

By Mr. Wright:

Q. Mr. McKenzie, I would like to ask you about the diversion of wheat by the milling companies. I have heard a great many complaints about these millers being able to pick the car in certain grades and "skin" that car for themselves. How do the milling companies secure their wheat?—A. Frankly, I do not know to what extent it is possible to do that. I think milling companies test the protein content of the wheat from various sections of the country and buy their wheat where they know it is of fine milling quality.

Q. Are they allowed to take samples out of the car and test it before they take it? They can make these tests in a matter of a few hours, and I understand that if the test does not come up to their requirements they will not take that car?—A. Not to my knowledge.

Dr. MACGIBBON: My understanding, Mr. Wright, is that the answer is no, except where the shipper has given permission to the broker or the man handling the wheat in Winnipeg to take samples. I believe that in the main they get their grain in a certain district.

Mr. ROSS (*Moose Jaw*): At one time they obtained the right from the handlers of grain, and I know that all cars that went to Moose Jaw, no matter who they belonged to, whether producers' organizations or elevator companies, could be inspected and diverted by paying a certain premium.

Dr. MACGIBBON: I think Mr. Ross is quite correct.

Mr. ROSS (*Moose Jaw*): They paid for that privilege and the premium was supposed to come back to the farmer.

Mr. PERLEY: They select districts, too.

Mr. ROSS (*Moose Jaw*): Yes.

By Mr. Wright:

Q. Mr. McKenzie, the "skinning" of the grade in that way means that the final buyer of that wheat will pay less for it, and that reduction would be reflected in the price to the producer?—A. I think it would be fair to say that in the first instance as far as possible the millers pick their districts and buy their wheat from districts.

Q. I have no objection to that?—A. No; you could not stop that. Secondly, they draw samples only where they have the consent of the shipper or his agent to do so.

By the Chairman:

Q. Mr. McKenzie, have you anything to say with respect to the questions raised by Mr. Ross and Mr. Perley?—A. First of all let me thank Mr. Ross and those associated with him for these suggestions. We welcome them, and anything we can do to give effect to them shall be done.

I would like to clear up the impression that may be in your minds as to the character of the meeting that is held when we are getting information with respect to fixing rates. Mr. Ross used the word "conference," I think, and I do not know just what shade of meaning Mr. Ross meant to convey. Actually it is not a conference; it is a public meeting where anybody is free to come and express any views he may have. Beyond listening to presentations it is not a conference, in that we do not confer with them as to the final results.

With respect to elevator agents being discharged, I have no knowledge of that being done. I would be rather surprised if it is being done in any general way, because a country elevator can only make its best profit if it keeps grain moving through. There may be a period of the year when the elevator might be full and they might lay off a man for that period; but the operator of that house will be anxious to move his grain through to the terminals in order to get additional grain and secure the handling charges, and so on. I have no doubt there are cases where men have been dismissed in the manner alleged, but in the next two or three years the elevator companies, in my judgment, are going to face a shortage of elevator agents because of their joining the active services, and we may all suffer by their inability to employ competent elevator agents. I am merely expressing that as an opinion having regard to war conditions. I think it is fair to say we have had no complaints about elevator agents being unfairly dismissed.

By Mr. Perley:

Q. Have they not reduced their wages very considerably, Mr. McKenzie?—A. They have, during the years of low handling.

Q. But during last year?—A. I have no knowledge of that. It varies a great deal at different points, depending on the volume of business being done

at those points. As I said a moment ago, I think the scarcity of competent men to act as elevator agents this year because of enlistments is going to be a difficult problem for the elevator companies.

Coming to the question of leakages, that is, of course, a serious problem; but I think the general practice of the elevator companies is to hold the agent responsible only in the matter of exercising due diligence in the preparation of the car and seeing that it is in good shape before the grain is loaded into it. If the agent has been negligent in that respect, obviously he should be reprimanded. There is no bond on an agent. We do not demand that the elevator companies bond their agents against loss in transit, and I do not think it is the general practice of the elevator companies to look to the agent for recompense in respect of any loss that has occurred in transit. Most of the companies have in their offices in Winnipeg, a man I believe, whose responsibility it is to check losses and recover the losses from the railway companies in so far as it is possible to do so, and that involves proof of the condition of the car at the time of loading. However, Mr. Ross' suggestion is an exceedingly interesting one to me, and I can assure you that the board will look into the possibilities thereof. I had no knowledge of it before.

By Mr. Graham:

Q. Mr. McKenzie, following up Mr. Ross' argument in regard to the way the board fixes storage rates, you referred to a public meeting at which anybody could make representations. Aside from that altogether would the board obtain from the line elevator companies, and possibly the pools, the figures on the cost?—A. Naturally we would seek the fullest information with respect to the situation.

Q. You would examine that aspect in arriving at a judgment as to what should be the maximum?—A. Yes.

Q. Mr. Ross' point being that included in those costs would be the cost of the agent or elevator man. Would you obtain that information apart from the public meeting?—A. Certainly we would expect the railway companies, if they asked for maintenance of present rates or an increase thereof to show cause why such maintenance or increase should be put into effect. I would say, although it represents my own view, that I regard the function of the Board of Grain Commissioners to be that of marketing the grain of the producers in the most efficient manner at a minimum of cost. After all, gentlemen, wheat has little value on the farm; and the machinery must be provided to transport that wheat to the people who are going to consume it if it is to be of any benefit to the farmer.

By Mr. Perley:

Q. Mr. McKenzie, I have another suggestion I desire to make to the board: I think there should be more careful inspection and control of the scales in the country elevators. Under the present system of marketing grain heavily loaded trucks are employed, sometimes carrying 200 or 300 bushels in one load to these scales. Is there just the government inspection of scales every so often at the present time?—A. We have our inspectors out checking country elevator scales as often as possible.

Q. These heavily loaded trucks transmit great shocks to the scales?—A. If I might express a personal opinion here, I think it might be helpful if you would give us power to regulate the weight of a load driving up to a country elevator. Something must be done to control the carrying of heavy loads requiring stronger platforms and increased scales and involving the tearing up of country roads.

By Mr. Wright:

Q. It has pretty well reached the limit?—A. Yes; but at the present time we have no power to regulate the maximum load driving into a country elevator.

By Mr. Perley:

Q. In your very excellent report mention is made at page 30 of overages or shortages as revealed by the annual weigh-up, and generally the shortages are at the terminal elevators, although there are some at interior elevators, too. How is it that there are consistent shortages in every case, practically?—A. Perhaps the manager of the elevators could give you the explanation, Mr. Perley.

Q. What is the purport of the table appearing at page 30 of the report, Mr. Rayner?—A. The eastern houses are on that page. This is the weigh-over of the eastern elevators, that is, all the elevators east of Fort William. The actual stocks of grain in storage at certain periods are weighed over by the board and checked against the outstanding warehouse receipts; and the results showed in some cases that there was less grain in storage than there should have been according to the warehouse receipts.

Q. I want to know why it is so prevalent straight through?—A. I suppose in the normal operation of the elevator there is a certain amount of loss every time the grain is handled.

Q. The losses run to 10,000 pounds in some cases. They are most consistently shortages. (No response).

By Mr. Ross (Moose Jaw):

Q. That is not very much in the case of a large elevator, is it, Mr. Rayner?—A. Some of these elevators move about 12,000,000 to 15,000,000 bushels through the house, and the operator of the elevator will have to pay cash to the holder of the warehouse receipts for the amount he is short; it is one of his operating expenses.

MR. PERLEY: I was going to make some inquiry with respect to the item of freight rates.

By the Chairman:

Q. Mr. McKenzie, I had intended to inquire about weigh-overs in country elevators?—A. We have the elevator operators furnish us with sworn statements at the end of the year as to the amounts of grain in the house classified according to grades. If at any time, having the sworn statement before us, we have any reason to doubt the accuracy of the figures presented to us we can do two things: we can send our man out and check over the situation and determine the facts, or we can check against the railway shipments from that point both as to quantity and to grades, and then we take whatever action is appropriate if we find anything out of line with respect to the grain in the house.

By Mr. Ross (Moose Jaw):

Q. Mr. Hetherington, what is being done to-day with the screenings in your internal terminal elevators and with your elevators at Fort William? Are you reclaiming, grinding and selling them for feed at the points where the elevators are situated?—A. I cannot speak for the head of the lakes, because we are not operating an elevator there. At the interior points the local demand for all classes of screenings is sufficient to take care of all we are producing, and we are not shipping any out from those points.

Q. That happens with all the elevators you are interested in?—A. Yes.

By Mr. Wright:

Q. Mr. McKenzie, upon whose recommendations are the specifications for any particular grade of grain changed? I think two years ago you changed the requirements on 3 C.W. oats. On whose recommendation was that change made in the requirements for that particular grade?—A. Perhaps Dr. MacGibbon can answer you.

Dr. MACGIBBON: What happens is that in preparing the amendments to the Act a committee of the inspectors worked over what they thought was a proper schedule and it was submitted to the committee here.

Mr. DONNELLY: But you have a committee that sets the standards?

Dr. MACGIBBON: That is a different position. Mr. Wright is asking about the statutory specifications. The preliminary work is generally done by the committee inspectors.

Mr. WRIGHT: The committee of inspectors makes the recommendations?

Dr. MACGIBBON: Yes. In the particular case you cited when the Act was being passed in 1939 there was a mistake made in the specifications for extra No. 3 Canada western, and when the Act was amended in 1940 that mistake was corrected.

Mr. PERLEY: At page 7 of the annual report of the Board of Grain Commissioners for 1941 lake freight rates are dealt with, and I see there have been some increases there. How are those rates now? Are these practically the maximum rates that have ever been enforced? The earlier part of the paragraph deals with 4 cents and 5 cents per bushel, and at the foot of that page it is stated:—

No maximum rates had hitherto been established on the carriage of wheat except to Montreal and St. Lawrence ports where the previous maximum rate authorized was 7 cents per bushel. On account of increased insurance costs after November 30 the board in October provided that during the month of December, 1941, the schedule of maximum rates on wheat to the bay and lower lake ports might be increased by 2 cents per bushel.

Dr. MACGIBBON: That is under the other Act.

Mr. PERLEY: You control that?

Dr. MACGIBBON: Yes, we control it. At that time there was a situation developed where the rates threatened to advance very, very rapidly. The peculiar situation was that normally when the Act was passed that dealt with that feature it took the measure of the Fort William and Montreal rates and the American corresponding rates; that was the basis of action. With the passing out of large shipments from American ports to Montreal, and with the lending of vessels and other matters in connection with the war, a situation arose where the Montreal rate was not very effective and rates on the upper lakes were getting out of line. This was an attempt to hold them down to that level.

Mr. PERLEY: It was a special case on account of war shipments, and everything else?

Dr. MACGIBBON: Yes, that all entered into it.

Mr. PERLEY: How many lake ships are there now handling grain?

Dr. MACGIBBON: I do not know, sir. The whole handling is under the Transport Controller.

Mr. PERLEY: How many Canadian companies are shipping out of Fort William?

Dr. MACGIBBON: I could not say. About the time this happened I think there were 7 shipping agents in Winnipeg.

Mr. ROSS (*Moose Jaw*): Has there not been an order lately requiring American lake ships to carry oil instead of wheat?

Dr. MACGIBBON: There have been a number of orders issued that there shall be no wheat go down the St. Lawrence in order to conserve shipping. It is to be shipped to the lake ports and moved by rail. I have seen that in the papers since I came east.

The CHAIRMAN: American wheat?

Dr. MACGIBBON: Canadian wheat also. There is an American order of the kind you mention.

Mr. PERLEY: Dr. MacGibbon, in loading these vessels the grain is weighed in and inspected. Does it have to be loaded out of the elevator into these boats up to the maximum of the grade or the minimum?

Dr. MACGIBBON: The export grade.

Mr. PERLEY: But is there a minimum and maximum on that grade?

Dr. MACGIBBON: No; the export grade is better than the average grade.

Mr. DONNELLY: 75-25?

Dr. MACGIBBON: Slightly better than the average of the grade, and not necessarily the maximum.

The CHAIRMAN: But a good deal better than the minimum grade?

Dr. MACGIBBON: Yes.

By Mr. Perley:

Q. Mr. McKenzie, what about the annexes at Fort William? The board did control those. They issued the permit or licence for the annexes. They are not building any more?—A. I do not know of any annexes that are being built this year.

By Mr. Ross (Moose Jaw):

Q. They are not filled now?—A. No; we have a lot of empty space in Canada now.

By Mr. Perley:

Q. Did the board have anything to do with leasing the land upon which the annexes were built or have any say with the owners of the land?—A. No.

Q. Some of them had some trouble?—A. I do not know.

Q. The council in Port Arthur claimed something had been put over them before they became wise to the scheme, because they leased certain properties at a very low rate and wanted to know if I could take it up. I said they had better write to some of the Liberal members. (No response.)

The CHAIRMAN: Are there any other questions?

By Mr. Donnelly:

Q. Mr. Hetherington, have you automatic samplers on the boats for loading?—A. So far as I am aware there is only one elevator that has automatic samplers on the ships.

The CHAIRMAN: Any further questions?

Mr. ROSS (*Moose Jaw*): If there are no further questions, Mr. Chairman, I move a vote of thanks to Mr. McKenzie and his fellow-commissioners and the officials of the board who have appeared before us and who have promised to look into certain matters we have taken up with them here.

Mr. PERLEY: In the words of a certain member of the House: "As a loyal member of the opposition" I take pleasure in seconding the motion. (Carried unanimously.)

The CHAIRMAN: Mr. McKenzie, we are grateful to you and to your fellow-commissioners and officials of the board, and we can assure you that the committee has appreciated your attendance here.

Gentlemen, may I take it that the committee is prepared to release from further attendance the Board of Grain Commissioners? (Agreed).

Mr. McKENZIE: May I say we appreciate the privilege of appearing before you and giving you such information as may be available. When you are passing through Winnipeg please drop into the office if there is any further information you desire.

Mr. PERLEY: I wonder if the wheat board would extend a similar invitation to me!

The committee adjourned at 5.30 p.m. to the call of the chair.

CA1
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

WEDNESDAY, JULY 1, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

WEDNESDAY, July 1, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Blair, Clark, Cruickshank, Diefenbaker, Donnelly, Evans, Fair, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, Lafontaine, Lalonde, Leclerc, MacDiarmid, McCuaig, McNevin (*Victoria, Ont.*), Matthews, Mullins, Nielsen (Mrs.), Perley, Quelch, Rennie, Rickard, Ross (*Souris*), Senn, Soper, Tustin, Ward, Weir, Wright.

The minutes of the previous meeting were read and adopted.

The Chairman read a letter from Mr. George McIvor, Chairman of the Canadian Wheat Board, correcting an error on page 23, line 40, of the minutes of evidence of Wednesday, May 13, 1942.

The Chairman also read a telegram received from the Futures Brokers Association, Winnipeg, signed by George E. Cathcart, president, and C. L. Simmonds, secretary. He also presented a breakdown showing how the computation of ten million dollars was made up by years.

Agreed,—That same be printed in the Minutes of Evidence.

The Chairman also informed the Committee that the sub-committee had met twice but had no recommendation to make in regard to the further procedure the committee should follow. Discussion on this matter followed and also on the future evidence to be heard.

Mr. Diefenbaker moved, seconded by Mr. Ross (*Souris*),—That any six brokers from the consecutive alphabetical list of grain brokers be summoned to give their opinion to the committee on the distribution of brokerage fees by the Canadian Wheat Board during the crop years 1939-40 and 1940-41.

Discussion followed and Dr. Donnelly moved in amendment thereto,—That the Chairman of the Futures Brokers Association of Winnipeg be requested to appoint two of its members to appear before the committee for the purpose of giving evidence on the distribution of brokerage fees by the Canadian Wheat Board.

The question being called on the amendment it was passed in the negative: Yeas 6, Nays 20.

On motion of Mr. Diefenbaker a recorded vote was called for and the yeas and nays were taken down as follows:—

For the motion: Messrs. Diefenbaker, Evans, Fair, Nielsen (Mrs.), Perley, Quelch, Rickard, Ross (*Souris*), Senn, Tustin, Ward, Wright—12.

Against the motion: Messrs. Bertrand (*Prescott*), Blair, Donnelly, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, Lafontaine, Lalonde, Leclerc, MacDiarmid, McCuaig, McNevin (*Victoria, Ont.*), Matthews, Mullins, Rennie, Soper—19.

Motion passed in the negative: Yeas 12, Nays 19.

The Committee agreed that Mr. Wright replace Mr. T. C. Douglas (*Weyburn*) on the Steering Committee during the latter's absence from Ottawa and that Mr. Graham replace Mr. Dechene on the same committee because of Mr. Dechene's illness.

Mr. Evans then moved, seconded by Mr. Ross (*Souris*),—That the Steering Committee prepare a draft report on the evidence submitted and report back to the main committee for consideration of the same. Carried.

The Committee then adjourned to meet again at the call of the Chair.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

July 1, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order we will ask the clerk to read the minutes of the last meeting.

Minutes read and adopted.

The CHAIRMAN: For the information of the committee I may say that some added statements have been sent to me and to others, one is a correction with respect to a statement on page 23 of Mr. McIvor's evidence. In line 40, page 23, of the proceedings the figure of \$75 should read \$150. That is the correction.

Then, since our last meeting I received this telegram which I think is proper to read to the committee. It is addressed to W. G. Weir, M.P., Ottawa, Agriculture Committee, dated Winnipeg, Manitoba, May 23, 1942. The telegram reads as follows:—

At a meeting of Futures Brokers Association held this morning the following resolution was passed unanimously. Having seen press despatch reference Agricultural Committee proceedings would state that it is the opinion of the majority of futures brokers that the Canadian Wheat Board is endeavouring to distribute futures brokerage as equitably as possible.

GEO. E. CATHCART, *President*,
C. L. SIMMONDS, *Secretary*,

Futures Brokers Association.

There is in addition to that a statement in reply to a question asked by Mr. Diefenbaker. Perhaps I can read that into the record. Mr. Diefenbaker asked for a breakdown of the \$10 million brokerage fees referred to in the statement that Mr. Donnelly read or had prepared. This is a compilation of the figures. Perhaps it can go into the record. It is a breakdown by crop years of the cost of spreading futures versus full carrying charges.

THE CANADIAN WHEAT BOARD

SUMMARY BY CROP YEARS—COST OF SPREADING FUTURES VS FULL CARRYING CHARGES

	Bushels	Difference Spread vs. Carrying Charges	Less Brokerage	Net Savings
1938 crop	293,046,000	\$ 6,577,163.12	\$146,523.00	\$ 6,430,640.12
1939 "	744,952,000	3,804,138.37	372,476.00	3,431,662.37
1940 "	164,491,000	403,617.47	82,245.50	321,371.97
1941 "	9,875,000	57,793.32	4,937.50	52,855.82
	1,212,364,000	\$10,842,712.28	\$606,182.00	\$10,236,530.28

Mr. Diefenbaker: Showing how the computation of \$10 million was made up by years.

The CHAIRMAN: That is correct. Since the last meeting on May 21 the steering committee has held two meetings. At these meetings we discussed the procedure for future conduct of the committee. I think it is correct to say that the committee did not feel that they could arrive at a decision as to what future inquiry should be undertaken. If I gathered correctly, the consensus of opinion was that the steering committee should report back to the general committee for advice in that regard. There has been some delay in reporting back, partly by reason of the fact that some of the members were away—some are still away—and an attempt has been made to meet the convenience of members generally, and having regard to other things that were taking place. Mr. Douglas and Mr. Ross of Moose Jaw are still away. Mr. Douglas informed me that he was quite prepared to have Mr. Wright act in his behalf in that regard. That is the situation that exists at the present time. The steering committee has not any recommendation at this time to suggest to the general committee as to its future proceedings, and that is what I think we should determine and decide this morning.

As I said before, the only added information that is available so far as this committee is concerned is the telegram that I have placed on the record. May we have some expression of views with respect to the future procedure of the committee and as to what it wishes to do?

Mr. McNEVIN: It seems to me, Mr. Chairman, that the committee of this year must be pretty well completed. I do not see any essential point of sufficient importance to warrant, in the first place, the expenditure of additional money at this time when we are in the closing days or weeks of the session.

Mr. PERLEY: Mr. Chairman, the date of that wire was the 23rd; what was the date of the last meeting?

The CHAIRMAN: The date of the telegram is the 23rd of May; and the last meeting, according to the report here, is May 21. I did not receive that telegram until some time during the week, I was away over the week-end and so I do not know when it arrived here.

Mr. PERLEY: Does the chairman know of any communication or wire sent out asking that the Brokers Association hold such a meeting, or does he know of any communication?

The CHAIRMAN: He certainly does not.

Mr. PERLEY: He does not know whether the minister sent a wire or asked for it or the terms of the wire?

The CHAIRMAN: No. I do not know what Mr. Perley means by that. I certainly say that so far as I am concerned, as chairman of this committee—I cannot speak for anybody else—I know of no communication being sent to my knowledge from anybody, and I would doubt very much if it had been sent by anybody such as you might suggest.

Mr. PERLEY: Any telephone calls?

Mr. DONNELLY: Does not the telegram state definitely it was on account of press reports that they saw that the meeting was held?

The CHAIRMAN: I know nothing about the sending of any communication or telegram; in fact I just did not know there was such a thing as a Futures Brokers' Association; it was never raised in this committee and I never heard it mentioned.

Mr. ROSS (*Souris*): I do not think the telegram means anything anyway; it does not say anything of what they have been doing and it has no bearing on what we have been investigating in this committee.

The CHAIRMAN: I would interpret it as an expression of past policy.

Mr. ROSS (*Souris*): I would not. If you read it carefully you see it says "is." It does not say what they have been doing in the past at all. I do not think it has any bearing.

Mr. PERLEY: It does not say anything about the years the order of reference to the committee deals with.

The CHAIRMAN: I would not attempt to interpret what they were thinking; this is what they have said.

Mr. BLAIR: Would you read it again?

The CHAIRMAN: It is on the record, Doctor. All right, I will read it again.

At a meeting of Futures Brokers' Association held this morning the following resolution was passed unanimously. Having seen press despatch reference Agricultural Committee proceedings would state that it is the opinion of the majority of futures brokers that the Canadian Wheat Board is endeavouring to distribute futures brokerages as equitably as possible.

GEO. E. CATHCART, *President*,
C. L. SIMMONDS, *Secretary*,

Futures Brokers' Association.

Mr. McNEVIN: Apparently in the discussion that took place in this committee there was a suggestion of the possibility of discrimination and in that regard these various brokers in the association have expressed a definite opinion. To my mind, that is the answer.

Mr. DIEFENBAKER: Mr. Chairman, I notice where it says that the majority are of that opinion. If you are going to give any evidentiary value to that telegram then I think that the opportunity should be given to brokers to give evidence and to show whether or not there has been any discrimination. I am going to move that any six brokers from the list, as long as they are picked in sequence—you can pick them anywhere—be called and brought down here to give evidence in regard to the distribution that has been made of brokerage.

Mr. ROSS (*Souris*): I will second that motion.

Mr. GOLDING: I would be definitely opposed to that. I submit, Mr. Chairman, that if any one on this committee knows of any broker being dissatisfied that is the type of broker that should be brought down. I cannot see for the life of me any sense of paying brokers' expenses down here who are satisfied. Get the ones that are not satisfied and let them state their case here.

Mr. DIEFENBAKER: Mr. Chairman, that sounds all very well, but any broker that will give evidence here, unless he is summonsed here without regard to the evidence he is going to give, is subject to penalization under the regulations of the Winnipeg Grain Exchange. That is why I suggest the picking of any six, start anywhere and take six in succession and you will get the story as to what actually has taken place during the last two years in reference to the distribution of brokerage, but if, as Mr. Golding suggests, any one particular individual is brought down here at his own request he then contravenes the

regulations of the Grain Exchange and as such is subject to the penalties covered by the regulations but when we pick any six there can be nothing unfair in that. There is no pick or choose there. It is just picking any six anywhere at all.

Mr. GRAHAM: Go fishing.

Mr. DIEFENBAKER: No, no. It will tell the whole story.

Mr. GOLDING: Mr. Chairman, just in reference to that let us get the picture. Supposing we pick six and everyone of those six come down here and tell us they are satisfied; we are going to pay their expenses down here.

Mr. ROSS (*Souris*): That won't prove that they satisfy us because they are satisfied.

The CHAIRMAN: Let us keep order, gentlemen. There is a motion before the committee and we want to dispose of it as reasonably as we can.

Mr. DONNELLY: Mr. Chairman, anyone that we would bring down from there, any private broker, he would know the amount of the brokerage that he received during the past year or two years or three years but he would not probably know a thing about what other brokers are receiving.

Mr. PERLEY: They have had a meeting and no doubt a discussion.

Mr. WARD: Mr. Chairman, I do not want to raise something here that might start a new controversy but Mr. Diefenbaker has said that we will get the story. He has repeated that. That is exactly what Mr. Hanson said on the floor of the House, "We will call the Agricultural Committee together and we will get the story." We called the committee together. We sat here. I don't know how many sittings there were but there is a large volume of evidence and we did not get any story except the story that there wasn't any discrimination. Now, why continue to say, "We will get the story." Is it not just a matter of finding that the fishing expedition was not very successful on the part of the Leader of the Opposition and instead of now being sport enough to drop it and say, "We found there wasn't any story; let us get on with the work that this session has been endeavouring to do and not prolong the sittings of this committee"—

Mr. PERLEY: Can the chairman give us any information with respect to this?

Mr. ROSS (*Souris*): In view of what Mr. Ward has said he, among other members of the committee, prevented us from getting a channel of evidence which we wanted. We moved a resolution asking for a breakdown of brokerage fees paid by the Canadian Wheat Board for a given period of time for the handling of our production or the wheat that is produced by the farmers in this country, and the members of this committee voted that we should not have it. It was not a fishing expedition. These people prevented us from obtaining the information which I, as one member of the committee, think that we, as a committee, are entitled to have. He, among other members, prevented us from getting the information.

Mr. DONNELLY: As far as I am concerned I do not feel like preventing any man from getting any information that he wants, none whatever. I was not here in the meeting at the vote.

Mr. PERLEY: How many motions did you vote down?

Mr. DONNELLY: I was not here at that meeting where there was a vote. I have been accused of voting against it but I was not here. I am saying that as far as calling these brokers is concerned or getting any information I am one of those who want to see them get what information they want, but I cannot see any sense in going to work and taking six brokers haphazardly and bringing them down here. We will probably get six duds, not one of them know a thing about it. If you want to get brokers I would suggest that we write to this organization that they have and ask them to send two representative men that know something about the brokerage business, send them down here. They have got an organization. They know their men. They know the brokerage business. Have them send them here, but I do not see any sense in going and calling on six men, none at all.

Mr. McNEVIN: Mr. Chairman, if I heard Mr. Ross right I think he spoke about these brokerage charges. As I recall the discussions I think Mr. McIvor stated definitely what these brokerage charges are per bushel or per carload and so forth. I think that is general information. Now then, on this point at issue we have a telegram in which it states that the opinion of the brokerage association is unanimous. It states in that telegram it is a unanimous decision.

Mr. Ross (*Souris*): On what, Mr. McNevin?

Mr. McNEVIN: I think the words "unanimously passed" are in that telegram.

Mr. DONNELLY: Read the telegram again.

Mr. McNEVIN: It is signed by the president and secretary of this association.

Mr. Ross (*Souris*): In view of what Mr. McNevin has just said I say that the telegram has no bearing on what we were asking for or what we were investigating. You read the telegram and see whether it has.

Mr. McNEVIN: I say it has now and I have heard it read twice.

Mr. Ross (*Souris*): It does not. It says "is". It does not say "has".

Mr. McNEVIN: Unanimously passed.

The CHAIRMAN: I point out one other thing that perhaps should be raised here, that is that the order of reference which has been questioned deals with the reports for the crop years 1939-40 and 1940-41. Technically speaking, I presume the request of Mr. Diefenbaker would be limited to that.

Mr. Ross (*Souris*): Mr. Chairman, just on that very same point will you say that wire has any bearing on that reference you just referred to?

The CHAIRMAN: I would not try to interpret what was in the minds of the people who sent the wire.

Mr. Ross (*Souris*): You can read the wire and know whether "is" or "has" are two different things.

The CHAIRMAN: I think that is a pretty small technicality to be arguing over.

Mr. Ross (*Souris*): I do not.

The CHAIRMAN: If there was dissatisfaction among the brokers so far as their organization is concerned I do not think they would quibble over words. I think they mean it to apply generally. I am speaking my own

personal opinion, and I don't know a broker on the Winnipeg Grain Exchange to my knowledge. Is there any further discussion on this motion?

Mr. RICKARD: Mr. Chairman, is there any member of the committee who knows any one of these brokers who is not satisfied? If they do, those are the ones we should have. If they have in mind any such men, then bring them down here.

Mr. DIEFENBAKER: If nobody else is going to refer to the matter before you, put the matter to a vote—

Mr. GRAHAM: Mr. Rickard's question is a very proper one. Do the ones who are supporting the resolution know of any broker and the complaint he has made or complaint he makes against the Wheat Board in the distribution of brokerage fees?

Mr. Ross (*Souris*): Mr. Chairman, in so far as that question is concerned I am not a bit concerned with the brokers at all. I do not care whether they are satisfied or not satisfied. I am acting as a member of this committee on behalf of the producers of this country. It is their concern I am worried about.

Mr. GRAHAM: To answer Mr. Rickard's question, have you any knowledge on reasonable foundation of any brokers specifically named who have anything to substantiate a complaint against the board? Have you, personally?

Mr. Ross (*Souris*): I don't know anything about the brokers. I don't know anything about them.

Mr. GRAHAM: Have you, Mr. Diefenbaker?

Mr. DIEFENBAKER: I don't intend to mention that for this cross-examination.

Mr. GRAHAM: Mr. Perley?

Mr. DIEFENBAKER: Just a minute; I say that these men, if their identity is revealed, are immediately subject to suspension. Mr. Ward brought up a very good point here when he said if these men were called down here, Dr. Donnelly, what difference would it make? He said that they would not be able to prove anything. They certainly would. They would be able to say whether they had been treated equitably. They would be able to tell you how much they received and if the amounts each received were anywhere near equal, then it would be fair. Mr. Ward says, "Why don't they produce the information?" On May 14 I moved, seconded by Mr. Rowe, that the board produce to this committee a complete record of all brokerage fees of all kinds and commissions paid since the outbreak of the war, the persons or corporations to whom such payments were made, the amounts paid to each and the particulars of the services rendered therefor respectively by each of the said persons or corporations. If that had been produced then we would know whether or not there was any foundation to the statement that Mr. Hanson made in the House.

Mr. WARD: You know why it was not produced.

Mr. DIEFENBAKER: It was not produced because 20 voted against its production and only 12 for.

Mr. Ross (*Souris*): That is the only reason.

Mr. PERLEY: That will tell the tale.

Mr. GRAHAM: I would point out to Mr. Diefenbaker that Mr. Hanson was invited by the clerk to appear before the committee and thus he certainly

would have an opportunity to substantiate that allegation. He has not even seen fit to do that.

Mr. DIEFENBAKER: He is only in the position of hearsay. He gets the information.

Mr. GOLDING: Why would he make a statement casting reflection on the board based just on hearsay?

Mr. McCUAIG: Mr. Ross of Souris I think said something that certainly appeals to me, that he is interested only in the producers, that he is not interested in the brokers. If that is the feeling of the members of this committee I for one do not see why they are proceeding with any investigation in reference to any discrimination between brokers. If one broker gets more than the other, and in that case the producer is losing, then I can see some reason for it; but if the producer is not going to lose by such discrimination, why should we spend the money of this country and the time of this committee going into that question? I for one want to know in what way the producer is going to lose by any discrimination between brokers.

Mr. Ross (*Souris*): Only in this respect, Mr. Chairman, that I think it was admitted at some previous hearing that some of these brokers were paid fees by the Wheat Board where services were not rendered.

Mr. GRAHAM: No.

Mr. WRIGHT: Oh yes. That was admitted by the chairman.

The CHAIRMAN: Not this chairman.

Mr. ROSS (*Souris*): No, the Wheat Board.

Mr. WRIGHT: Absolutely.

Mr. GRAHAM: Mr. Chairman, dealing with that point the sworn testimony of Mr. Findlay is that there is not one cent of the board's money paid out other than for services rendered. Like Mr. McCuaig I believe that is the crux of the whole situation and I took it upon myself to see it was made in the evidence that the statement made by Mr. Ross was incorrect.

Mr. ROSS (*Souris*): That no broker of the Winnipeg Grain Exchange received fees for services not rendered.

Mr. GRAHAM: That no moneys were paid out by the board other than for services rendered.

Mr. ROSS (*Souris*): Will you contradict the statement I made that certain brokers received fees for services not rendered?

Mr. GRAHAM: Mr. Ross is still begging Mr. McCuaig's point. I am amazed at the situation, Mr. Chairman. Mr. Perley opened up the discussion by suggesting that this wire was elicited by a wire from you or the chairman of the Wheat Board or the Minister.

Mr. PERLEY: There is no evidence that it wasn't.

Mr. GRAHAM: Then Mr. Ross makes a point as to the interpretation of the word "is". My answer to Mr. Ross' suggestion with regard to that word would be, of course, that if it were necessary—I don't think it is myself—to wire and ask the meaning of that word "is". That is the answer to it in order to explain the interpretation of that word "is", but I still suggest that Mr. Ross and the others are begging the fundamental point involved raised by Mr. McCuaig. Our duty was to find out if any moneys entrusted to the Wheat

Board were being spent by that board wrongly and if, as he says, the spending of that money wrongly was to the detriment of the producers of the country, and the evidence amply showed that is not the case.

Mr. DIEFENBAKER: Mr. Chairman, at page 184 on May 20 I was questioning the witness, Mr. Findlay, and I said this:—

Q. So that in addition to the payments actually made to the individual for the services rendered there is an amount pooled among the various brokers?

Mr. GRAHAM: That is right.

Mr. DIEFENBAKER:

Q. So that in addition to the payments actually made to the individual for the services rendered there is an amount pooled among the various brokers?

Mr. EVANS: Q. In addition?—A. Yes, that is correct. That corroborates what Mr. Ross has said exactly.

Mr. WARD: Wait; Mr. Chairman, let us get this clear. If you will look up the evidence of Mr. McIvor—I cannot recall where it was—Mr. McIvor was questioned on that and he was most emphatic in stating that no additional tariffs were charged anywhere at any time to provide for that pool. The larger brokers merely distributed some of their commissions to the smaller brokers, or just those who had not rendered any service. That was made very clear by Mr. McIvor, and there was nothing more clearly submitted here, Mr. Chairman.

The CHAIRMAN: The matter is still open for discussion.

Mr. GOLDING: You were going to read that telegram again.

Mr. ROSS (*Souris*): Mr. Graham is a lawyer. He knows what the telegram means by the word "is". I know what he would argue in court.

Mr. DONNELLY: Read the telegram.

Mr. GOLDING: You do not object to that?

Mr. ROSS (*Souris*): No.

The CHAIRMAN:

At a meeting of Futures Brokers Association held this morning the following resolution was passed unanimously. Having seen press despatch reference Agricultural Committee proceedings would state that it is the opinion of the majority of futures brokers that the Canadian Wheat Board is endeavoring to distribute futures brokerage as equitably as possible.

GEORGE E. CATHCART, *President*,
C. L. SIMMONDS, *Secretary*,

Futures Brokers Association.

Mr. PERLEY: It does not say how many of the brokers were there.

Mr. ROSS (*Souris*): Mr. Graham, would you think that wire had any bearing on our terms of reference?

Mr. GRAHAM: That telegram I think—and as every member other than you three on this committee would think, I presume—is a matter for this committee to evaluate merely as a wire received by this committee from the officials of an association that exists among the brokers in Winnipeg. We can give to it any value we see fit to give, and frankly it is an expression of opinion offered to

this committee. I will agree that it does not settle the whole question but it settles it far more satisfactorily, Mr. Ross, when it is signed by the president and secretary of an organized body than any production of one or two dissatisfied brokers or satisfied brokers would. In any case in a large group of 125 brokers you know, Mr. Ross, that it would be very, very amazing, indeed, to find complete unanimity and satisfaction on the part of those 125 individuals.

Mr. Ross (*Souris*): I will be surprised if there was over half of that number present. Furthermore, why does the wire not say, "has been" over the period of investigation? Why doesn't it? You know better than that, Mr. Graham.

Mr. PERLEY: That is the whole point, and how many were there.

Mr. Ross (*Souris*): I know you would argue if you were in court, Mr. Graham. That wire makes no reference to the given period.

Mr. GRAHAM: Mr. Ross, I hope I am too wise a lawyer to argue that point.

Mr. ROSS (*Souris*): I know you are.

An Hon. MEMBER: Is this a fishing expedition?

The CHAIRMAN: This is an important matter for the committee's decision. Is there any other member of the committee who wishes to comment on this present motion?

Mr. GRAHAM: If Mr. Ross and the others are concerned about that word "is", that point can be cleared up by wiring the association and asking the direct question; whether they mean, is at this moment, or in the conduct of the board's business in the past and the present. That is all there is to it. It is just a simple matter.

Mr. Ross (*Souris*): I am not a bit concerned about the wire at all. While I am a member here I would maintain that the word "is" has no bearing whatever on the terms of our reference, or what we have been investigating and until you get the wire cleared up it won't have while I am here.

Mr. DONNELLY: There is a motion before the chair and I would move an amendment to it: that you write the Futures Brokers' Association asking them to send us two brokers to give evidence.

The CHAIRMAN: To appear before the committee?

Mr. DONNELLY: To appear before the committee.

Mr. EVANS: I will second that.

The CHAIRMAN: You have heard the motion and the amendment. Perhaps we could have the clerk read them, so they will be clear to the committee.

The CLERK: Mr. Diefenbaker moved, seconded by Mr. Ross of *Souris*, that any six brokers from a consecutive alphabetical list of the grain brokers be summonsed to give to the committee their opinions on the distribution of brokers' fees by the Canadian Wheat Board during the crop years 1939-1940 and 1940-1941.

Mr. WARD: The word should be consecutive.

Mr. DIEFENBAKER: Yes, it should be consecutive, it is my fault.

The CHAIRMAN: We must have these words right.

Mr. Ross (*Souris*): Yes, that little word "is" is a bone of contention.

The CLERK: It was moved as an amendment by Mr. Donnelly that the committee wire the president of the association to send two members of their board to appear before the committee and give their opinion.

Mr. McNEVIN: I want to say this, here we have a telegram on file passed unanimously definitely giving expression to satisfaction on the part of the

brokers' association and so at a time when we are taxing the people of this country to the very bottom of their pockets, is this Agriculture Committee going to spend \$500 to \$1,000 bringing down two members of this association to tell us what that telegram means, what it says?

The CHAIRMAN: Is there any further discussion on the amendment?

Mr. HATFIELD: If there are members of that association who are dissatisfied why don't they make representations to this committee expressing their dissatisfaction?

Mr. GRAHAM: Well then, I am sure Dr. Donnelly will realize the course now proposed would not satisfy anyone.

Mr. DONNELLY: I don't think either one of these courses will satisfy them; one or two won't do any good.

Mr. WRIGHT: I think as far as we are concerned in the opposition we would have been quite satisfied if that resolution had passed and these expenses had been tabled here and shown to us. After all it is our money. It is not government money that is being spent. I do not see any reason why we should not have the information we ask for.

Mr. GRAHAM: That point was discussed fully by the committee and it was generally decided otherwise.

Mr. WRIGHT: And that is why we have this meeting now.

Mr. GRAHAM: You should have appealed against the decision of the committee.

Mr. PERLEY: That would have cleared the whole thing up.

The CHAIRMAN: I might recall for the information of the committee that when that matter was up for discussion and some members of the committee moved to adjourn the motion was voted down; and then, the other motion, of course, had to be put. You have heard the motion and the amendment to it. I think they are both in order. Is the committee ready to vote? Is there any further discussion? All those in favour of the amendment please signify by raising their hands.

The CHAIRMAN: I have to declare the amendment lost. Is the committee ready to vote on the main motion?

Some Hon. MEMBERS: Question.

The CHAIRMAN: The question is called.

Mr. RICKARD: Would you read that motion again?

The CLERK: This is the main motion: Mr. Diefenbaker moves, seconded by Mr. Ross (*Souris*), that any six brokers from a consecutive alphabetical list of grain brokers be summonsed to give to the committee opinions on the distribution of brokerage fees by the Canadian Wheat Board during the crop years 1939-1940 and 1940-41.

The CHAIRMAN: The question has been called, all those in favour signify by raising their hands.

Mr. DONNELLY: What do you mean by the word consecutive; one following the other?

Mr. DIEFENBAKER: A, B, C, D and so forth

Mr. DONNELLY: Do you propose to take them altogether or anyway they come?

Mr. DIEFENBAKER: There will be no picking and choosing, and these fellows will be chosen without regard to their wishes.

Mr. ROSS (*Souris*): You would only pick one man out of each letter group.

An Hon. MEMBER: What are you going to get?

Mr. DIEFENBAKER: You are going to get the story.

Mr. PERLEY: I move that we have a recorded vote on this.

Mr. RICKARD: Have you any idea what it will cost to bring these men down here?

Mr. DONNELLY: I imagine it would take a couple of hundred dollars apiece.

The CHAIRMAN: Gentlemen, come to order please. The question has been called. Are you ready to vote?

Some Hon. MEMBERS: Question.

Mr. PERLEY: I move that we have a recorded vote.

The CHAIRMAN: Mr. Perley has moved that we have a recorded vote, which it is his privilege to do. Shall I call the question? We will ask the clerk then to record the vote; all those in favour please signify by answering to the clerk when he calls their names.

Committee polled and the vote was as follows:

For the motion 12; against the motion 19.

The CHAIRMAN: Gentlemen, I am obliged to say that the motion is defeated. Now, what do you wish to suggest from here?

Mr. QUELCH: Well, Mr. Chairman, I haven't any knowledge regarding the brokers, but it has been stated in this committee today that this committee was called in order that certain people would be allowed to unfold a certain story. By the action of this committee evidence which might have made it possible for that story to be told was not allowed to be given; therefore, no doubt, people in the country will feel that this committee deliberately withheld evidence in order that the story should not be disclosed. Would it not be better to rescind that former motion and even at this late date make that evidence available? If there is nothing to conceal, why conceal it? If there is, on the other hand, something being concealed, then undoubtedly the people in the country will feel that we are deliberately withholding evidence in order to cover up something of an undesirable nature.

Mr. McNEVIN: Mr. Chairman, if this is a discussion on a matter that has been settled, I think it is entirely out of order.

The CHAIRMAN: I am inclined to agree with you, unless there is such a motion made.

Mr. QUELCH: A motion to rescind would be in order, would it not?

The CHAIRMAN: No such motion, of course, has been made.

Mr. McNEVIN: I have no desire to stand on technicalities, Mr. Chairman, but I maintain that a motion to rescind is entirely out of order.

The CHAIRMAN: Gentlemen, I do wish the committee would give some direction to the steering committee or to the chair as to what further efforts it wants to have expended, or whether it wishes to draw up a draft report on the evidence that we have. What is the pleasure of the committee?

Mr. PERLEY: I just want to ask this committee, now that the members are here, in view of the facts you have had with respect to this system employed by the board, and in view of the fact that the day before yesterday I read to the House of Commons a report by the British representative that the wheat Britain is now getting from Canada is through this billion dollar gift to Britain. The Minister admitted that practically, and the Minister of Finance too.

Some hon. MEMBERS: No, no.

Mr. PERLEY: Just a minute. Well, they did not deny it. Do you really think there is any use of continuing this system of brokerage and fees that has been paid to those 120, a lot of them not doing anything? I am just going to ask the individual members of the committee, "Do you think there is any

useful purpose to be served by continuing this system, now that this billion dollar bill has gone through?"

Mr. DONNELLY: What system do you want?

Mr. PERLEY: I am only asking do you think there is any call for them to be paid in that way?

Mr. DONNELLY: Yes, I do. They have justified their existence. If they were able to save \$10,000,000 within three years, they have justified their existence.

Mr. PERLEY: That is all bunk. I have a brief right here by outstanding grain men which would show that statement is all wet.

Mr. DONNELLY: It has been definitely shown that, by having the brokers, they have saved \$10,000,000. Do you mean to say that is not justified?

Mr. PERLEY: That is all wet.

Mr. McNEVIN: It is all very well for Mr. Perley to make charges and talk about these statements when the Grain Board officials are not here to defend themselves or at least to place information before the committee.

The CHAIRMAN: I want somebody to give us some direction to the committee as to what it should do from now on, whether they want it to close up and draft a report or whether they want to continue some further inquiries.

Mr. EVANS: I move that we authorize the steering committee to prepare a report on the activities of the committee based on the evidence submitted.

Mr. ROSS: For submission back to this committee, of course?

The CHAIRMAN: Oh, quite.

Mr. ROSS: I mean, the steering committee will not present this report to the house without it coming back to the committee?

Mr. EVANS: Oh, no.

Mr. ROSS: Okay. Let's go.

The CHAIRMAN: Would you repeat your motion, Mr. Evans?

Mr. EVANS: I would move that we authorize the steering committee to prepare a report on the evidence submitted and report it back to this committee for adoption.

The CHAIRMAN: Is there a seconder to that motion?

Mr. ROSS: I will second that.

The CHAIRMAN: It is moved by Mr. Evans, seconded by Mr. Ross, that the steering committee be authorized to prepare a report on the evidence submitted, and that it be brought back to this committee. Is there any discussion on that? If not, all in favour please signify by raising their hands? Contrary, if any.

The motion was agreed to.

The CHAIRMAN: I should like to make one request of the committee with respect to the steering committee. Mr. Douglas is not going to be here. He is on the steering committee. I suggested that Mr. Wright might take his place on that. In addition to that, Mr. Dechene is not in good health and is quite unable to act. Personally, I should like to have the privilege of adding Mr. Graham to the steering committee with a view to assisting in drafting the report. Would that be agreeable to the committee?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Then if that is the decision of the committee, I presume there is nothing further to do this morning than to make a motion to adjourn.

Mr. BLAIR: I move the adjournment of the committee.

The committee adjourned at 12.05 p.m. to meet again at the call of the chair.

Doc
an
Com
A

CA1
XC12
-A48

SESSION 1942
HOUSE OF COMMONS

Government
Publications

(STANDING COMMITTEE)

ON

(AGRICULTURE AND COLONIZATION)

MINUTES OF PROCEEDINGS AND FINAL REPORT

No. 9

WEDNESDAY, JULY 22, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

WEDNESDAY, July 22, 1942.

The Standing Committee on Agriculture and Colonization met this day at 10.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Diefenbaker, Donnelly, Fair, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Soper, Tustin, Ward, Weir, Wright—30.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce.

The Steering Committee appointed to prepare a draft report for consideration by the Committee as a whole, presented same.

The Chairman filed copies of Canadian Wheat Board's Reports for crop years 1939-40 and 1940-41; also the Minutes of Proceedings and Evidence taken before the Committee this year on the subject matter of the Order of Reference in this regard.

The Committee proceeded to the consideration of the draft report as a base for its report to the House.

At 11.00 a.m. the Committee adjourned to meet again this day at 2.00 p.m.

AFTERNOON SESSION

At 2.00 p.m. the Committee resumed. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Donnelly, Douglas (*Weyburn*), Fair, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, Lafontaine, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Matthews, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Soper, Tustin, Ward, Weir, Wright—32.

The Committee continued (in camera) its deliberations on the Draft Report and it was *Agreed* to consider it page by page, and section by section.

Pages 1-7 and sections 1-3, carried.

Mr. Douglas (*Weyburn*) moved that Section 4 be amended by deleting the words "equitable" and "equitably" on page 9 of the draft report.

Amendment negatived: Yeas, 6; Nays, 15.

Section 4, pages 7-10 carried.

At 3.00 p.m., Mr. Ross (*Souris*) moved that the Committee adjourn to meet again at 10.00 a.m. to-morrow morning, Thursday, July 23. Motion negatived: Yeas, 6; Nays, 10.

The Committee continued.

Section 5 to page 11, carried.

Section 6 on pages 11-14, carried.

Agreed,—That the Chairman authorize the insertion of a heading or a line between the conclusion of section 6 and the other matters dealt with in the concluding pages of the report.

Mr. Douglas (*Weyburn*) moved, that the words "and it is doubtful if any other agency of the Government is under closer scrutiny" be deleted from paragraph 3 on page 15 of the report. Amendment negatived.

Page 15, carried.

Pages 15-16, carried.

On motion of Mr. Ross (*Moose Jaw*),—

Resolved,—That page 17 of the draft report be amended by inserting as paragraph 3 on page 17, the following:

Your Committee was impressed, during its enquiry, with the capacity and ability of the members and officials of the Canadian Wheat Board and desires to record its opinion that the marketing of Canada's wheat is being carried out by them in an efficient and business-like manner.

Agreed,—That the final paragraph on page 17 *re* the tabling of proceedings of the Special Committee on the Marketing of Wheat and other Grains, 1936, and a copy of the Report of the Royal Grain Inquiry, 1938, be deleted.

On motion of Mr. Donnelly, seconded by Mr. Blair,—

Resolved,—That the draft report as amended, be the Committee's Report to the House.

Carried on division: Yeas, 16; Nays, 3.

Mr. McNevin (*Victoria, Ont.*) expressed the thanks of the Committee to the Chairman for the able manner in which he had presided.

The Committee adjourned *sine die*.

WALTER HILL,
Clerk of the Committee.

The Standing Committee on Agriculture and Colonization begs leave to present the following as a

SIXTH REPORT

The Order of Reference directed to your Committee was in the following terms:—

That the reports of the Canadian Wheat Board tabled in the House of Commons for the crop years 1939-40 and 1940-41 be referred to the Select Standing Committee on Agriculture and Colonization.

Your Committee held twelve meetings with respect to this Order of Reference and three meetings concerning the Reference with respect to Bill No. 13. There appeared before the Committee as witnesses: Mr. J. H. Wesson, President, Saskatchewan Wheat Pool; the members of the Canadian Wheat Board, its controller and secretary; the members of the Board of Grain Commissioners for Canada, its secretary; and the manager of Government-owned Terminal Elevators. In addition, the Honourable J. A. MacKinnon, Minister of Trade and Commerce; the Honourable J. G. Gardiner, Minister of Agriculture; and the Honourable T. A. Crerar, Minister of Mines and Resources, gave certain information to the Committee.

The Honourable R. B. Hanson, Leader of the Opposition, was invited to attend but did not do so.

The Committee directed its attention to a review of the annual reports of the Canadian Wheat Board as referred to in the Order of Reference and matters arising therefrom. These reports contained detailed information as to the amount of wheat (actual and under future contracts) handled by the Board and its operations in the marketing of same.

The Committee gave particular attention to the allegations made by the Honourable Mr. R. B. Hanson in the speech in the House of Commons on March 17th, 1942, and which was the immediate cause of the reference being made to the committee. The allegations made by Mr. Hanson were:—

1. That the Wheat Board was carrying on its operations illegally;
2. That the Wheat Board maintained elevator companies in "unexampled luxury";
3. That an independent audit should be made of the Board's accounts;
4. That brokerage fees were paid out for no services rendered;
5. That the Board had purchased wheat illegally; and
6. That Orders in Council numbered 1800 to 1803 inclusive gave "unlimited" authority to the Wheat Board and without the assent of Parliament.

The Committee proposes to deal with each of these statements in the report.

1. That the Wheat Board was carrying on its operations illegally:

It was suggested that at the time of the sale by the Board of cash wheat no moneys were exchanged. The committee finds that this statement is wholly incorrect and that the Board is paid in cash for the actual wheat so disposed of and at the time of delivery, except where credit has been established by Government, e.g., sale to United Kingdom.

It was further alleged that the Board's practice of accepting at the time of the sale by it of cash wheat and in exchange a contract calling for the future delivery of a like quantity of wheat contravenes the Wheat Board Act of 1935 and the amendments thereto.

The point raised is not new and has been considered by a former committee of this House in 1936 and by the Royal Grain Inquiry Commission of 1938.

The Committee finds that when the Wheat Board Act was enacted in 1935, the Board of that day, under Mr. John I. McFarland, secured an opinion from two eminent counsel as to its authority under the Act to so operate. Each counsel gave the same opinion, to wit, that the Board had the authority to so operate in carrying out the duties imposed upon the Board of marketing Canada's wheat crop under the provisions of the Canadian Wheat Board Act.

These opinions were communicated to the then Government of which the Honourable Mr. Hanson was a members as Minister of Trade and Commerce, and the Government by its action indicated approval and acceptance of the authority of the Board in this regard.

This interpretation of the Act was accepted by the Wheat Board under the chairmanship of Mr. McFarland and that of his successor, Mr. Murray, as well as by the present Board under the chairmanship of Mr. McIvor.

The chairman of each successive Board has expressed the opinion that unless the Wheat Board Act gave the Board such authority the Act would have to be amended if the Board were to efficiently and effectively carry out the duties imposed on it by the provisions of the Act.

Every Government in office since the passing of the Act in 1935 has been aware of these operations by the Board and has concurred in the authority of the Board to so operate. There has, in fact, been no change in the policy in this regard since 1935.

The committee therefore finds that the present Wheat Board has been justified in carrying on its operations in the manner that it does; and further finds that it is not within the competence of this committee to question the legality of the authority exercised by the Board. It points out that any legal point involved, so long as the present Act remains as it is, can only be authoritatively settled by a reference to a court of competent jurisdiction.

Because of the recurrent criticism arising from this particular part of the Board's operations, the committee believes it desirable to include in this report some of the reasons why the Board up to the present has considered it necessary and advisable to so operate.

The committee is quite aware that due to abnormal world and domestic conditions affecting wheat the method of marketing Canada's wheat crop may be subject to change.

The reasons referred to are as follows:—

(a) The buying or selling of wheat for future delivery is the means whereby those engaged in the grain trade, i.e. the elevator companies, millers, bakers, importers and exporters insure themselves against loss due to unfavourable price fluctuations. All Royal Commissions examining into this practice have pronounced in favour of it as finally beneficial to the producer or consumer since it allows the purchaser of grain to narrow the price spread and give a higher price to the producer. In the case of the miller, he is permitted in contracting for future deliveries of flour to make certain of the price which he will pay for wheat and this enables him to narrow his price spread to the consumer. In each case the element of risk has been minimized.

(b) The Wheat Board has been obliged to fit into this picture if it is to utilize (as it is required to do under the Wheat Board Act) the existing "marketing agencies" in marketing Canada's wheat crop as the outstanding futures contracts are part and parcel of our wheat marketing problem.

(c) The operations of the Wheat Board are aimed to get the wheat into a favourable position, i.e. near the seaboard or milling centre where it can be sold to the consumer. The exchange of cash wheat for future

contracts is an important step in this operation since it gets the actual wheat into the hands of those, i.e. the exporter or miller, who have a direct interest in moving it to such marketable position.

(d) It is a more economical way of carrying the wheat. If the Wheat Board carries the actual wheat it must of course pay the usual storage rates thereon. It finds it profitable therefore, in a varying degree, according to circumstances, to sell the cash wheat in exchange for a future contract to owners of terminal storage space who, being desirous of using the available storage capacity, bid for the cash wheat at a price advantageous to the Board and thus to the producer or taxpayer. The transfer of future contracts from one trading month to another, e.g. from July to October, known by the trade as "spreading," is again the exercise by the Board of its judgment as to whether it is profitable so to do; in other words, the decision of the Board is determined by the condition of the market and as to whether it would be more profitable to carry the actual wheat or to carry it in the form of future contract. Illustrative of this is saving of some \$10,000,000 as elsewhere referred to in this report.

(e) Canada has at present one important export market, viz., the United Kingdom. Only 30 to 35 million bushels now go to other overseas countries. The United Kingdom has expressly intimated its desire that the facilities of the Winnipeg Grain Exchange be kept open and that the futures market be used in the matter of its purchases. With the huge surplus of wheat in United States and Argentina it is obviously wise for Canada to respect the wishes of her one remaining large customer.

2. *With respect to the allegation that the Wheat Board maintained grain elevator companies in "unexampled luxury";*

The basis of the above allegation appears to be the suggestion that the present storage and service charges made by the elevator companies are exorbitant and that the Wheat Board has been delinquent in not having these reduced.

The committee finds that the rates for handling grain are established as maximum rates not by the Wheat Board but by the Board of Grain Commissioners under the provisions of the Canada Grain Act.

The Wheat Board is required to provide facilities for handling the producers' wheat and this is accomplished each year by entering into agreements with elevator companies within the maximum rate structure established by the Board of Grain Commissioners.

The committee finds that there has been no change in service rates so far as Class "A" (car load) is concerned. A reduction in the charges on Class "B" (street wheat) has been secured by the Wheat Board with the added provision in the 1941 agreement with the elevator companies that 750 bushels or over would be considered as Class "A" wheat, thus bringing this quantity of wheat within the favoured provisions of the car load rates.

In 1940 the maximum storage charges or rates fixed by the Board of Grain Commissioners were reduced in the Western Inspection Division from one-thirtieth to one forty-fifth of a cent per bushel per day.

The Wheat Board maintains full authority and control to direct wheat out of any elevator if and when it desires. The decision as to the movement of Board wheat is thus at all times under the authority of the Board and not the elevator companies.

The evidence before the committee shows that due to the critical storage situation in 1941, and with a view towards encouraging the building of added storage by elevator companies to enable the farmers to market their quota

of wheat, the Government guaranteed to those providing this additional storage capacity that the storage rate would not be reduced for a period of two years.

The committee would point out that the elevator companies, including the producer-owned marketing organizations, are not bound to maintain the maximum charges as set by the Board of Grain Commissioners but can, on application, lower these rates.

It would appear therefore that the producer-owned marketing organizations, who handle roughly 50 per cent of the wheat marketed each year, have it within their power to determine a just and reasonable schedule of storage and service rates. Mr. J. H. Wesson, President of the Saskatchewan Wheat Pool, when before the committee gave as his opinion that the storage rates were just and reasonable under the circumstances.

The committee realizes the importance to the producers of storage and service charges and strongly recommends that the Wheat Board and Board of Grain Commissioners effect reductions in these wherever possible.

The committee further recommends that the Wheat Board consider the advisability, during the period in which a quota system of marketing is necessary, of eliminating any differential between Class "A" "car load" and Class "B" "street wheat".

3. With respect to having an independent audit made of the Board's accounts.

The committee finds that there has been and continues to be an independent audit made of the records and accounts of the Board by a reputable firm of chartered accountants. The present firm of chartered accountants charged with this duty was appointed by the McFarland Board in 1935 with the approval of the then Government and has ever since continued to independently audit the accounts and records of the Board.

4. With respect to the allegation that brokerage fees were paid out for no services rendered.

The material sections of the Canadian Wheat Board Act of 1935 are as follows:—

Section 7—The Board shall undertake the marketing of wheat in inter-provincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—

- (b) to buy and sell wheat provided that no wheat shall be purchased by the Board except from the producers thereof;

Section 8—It shall be the duty of the Board:—

- (i) in selling and disposing of wheat as by this Act provided to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the Board in its discretion may determine;
- (j) to offer continuously wheat for sale in the markets of the world through the established channels: provided that the Board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels";

No evidence was submitted to the committee suggesting that the Board considered that "existing agencies are not operating satisfactorily" and in fact the Comptroller of the Board gave evidence to the contrary. It is clear, therefore, that the Board, under the Act, has no alternative but to use brokers in connection with its operations.

The operations of the Board in marketing Canada's huge wheat crop is a most intricate one. The committee believes it proper to quote from the Report of the Royal Grain Inquiry Commission of 1938, page 60:—

“That there is still hedging and that the factors which better each hedger's position allow of competition among them all to the benefit sometimes of the producers, sometimes the consumer, and sometimes to both at once is apparent from the information gathered upon this Inquiry”.

Mr. Justice Turgeon, the Royal Commissioner, in the same report, quotes Dr. D. A. McGibbon with approval as follows:—

It is a task that calls for unremitting alertness and experience in the grain trade.

The above quotations indicate the importance of expert skill and experience in executing orders on the futures market, a fact which is recognized by the Canadian Wheat Board Act and in the operations of the Wheat Board as shown by the evidence submitted to the committee.

The committee points out the obvious advantage of a large operator such as the Wheat Board trading through a number of brokers in order not to disclose its operations.

The evidence given by the members of the Wheat Board to the committee shows that the Board was able to save \$10,236,530 since August 1st, 1938, by spreading future contracts from one future to another, as compared with the cost of carrying actual wheat for the same period of time. The total brokerage involved in these spreading transactions, over a period of slightly less than four crop years, amounted to \$606,182.

On the evidence presented to the committee there is no doubt that very substantial economies in operation have been made by the Wheat Board through the use of the futures market in carrying wheat in comparison with the cost of carrying actual wheat.

While the Board distributes the brokerage paid on spreading operations the brokerage is actually paid by the Trade, and in connection with such transactions the brokers are nominated by the other party to the contract. In order to effect a better distribution of brokerage the Board has made a ruling that no one broker may be nominated for more than a 300,000-bushel spread in any one transaction.

The evidence given to the committee shows that 80 per cent of the total of the futures brokerage fees paid out by the Board is paid for transactions in which the other party to the contract actually pays the brokerage fees and as a result has the right to nominate the broker or brokers employed in completing the transactions on the futures market.

The Board indicated that the procedure adopted of its distributing the brokerage actually paid by the Trade is advantageous as it permits the Board to complete the actual transaction on the futures market at a time and under circumstances advantageous to the Board in its task of marketing the whole of Canada's wheat crop.

The balance of the futures brokerage fees paid out results from the sale of futures contracts by the Board, e.g., to the exporter, millers, etc., and is, of course, paid by the Board. This brokerage is distributed equitably by the Board among the brokers who may not have taken part in the making of a particular trade at a particular time but who, nevertheless, are part of the machinery of the trade and would participate directly in other trades.

It is the above practice of equitable distribution that gives rise to the suggestion that certain brokers receive moneys from the Board for no service rendered.

The committee finds that the main point to be kept in mind in regard to distribution of brokerage is that the method of distribution does not affect the total amount of brokerage paid, either by the Board or by the Trade. It is a question of the number of brokers who share in brokerage payments. It is obvious that as soon as the Board attempts to introduce an equitable distribution among the brokers it is in the position of paying brokerage on particular transactions to brokers who may render no service on that particular transaction. The committee notes that the alternative would be a greater inequality among the brokers in the matter of distribution of the brokerage and that the Board, therefore, is discharging its duty under the Act more properly when it attempts the equitable distribution of brokerage fees.

During the course of the committee's inquiry the Chairman of the Wheat Board was asked to furnish a statement of the individual amount paid out to each broker by the Board. The Chairman intimated his willingness to give this information if the committee so desired but also intimated his own opinion and of the members of the Wheat Board that the giving of such information would have an adverse effect upon the Board's operations upon the futures market and the relationship of the Board with the brokers used in connection with the Board's operations. The Chairman's statement is as follows as reported on page 59 of the Minutes of Proceedings and Evidence:—

The Board has been asked to give a statement of the amount of brokerage paid to individual brokers by the Canadian Wheat Board. In regard to this request I have a list of brokers and the amount of brokerage which they received in connection with Wheat Board operations. The Board is prepared to make this information available, but it will have to be on the responsibility of this committee. There are 85 futures brokers and 24 cash wheat brokers operating on the Winnipeg Grain Exchange. As I have indicated the Board is using these brokers to a very great advantage. The Board is using these brokers from day to day, and is trying to be impartial in the payment of brokerage and at the same time use its best judgment as to how brokerage should be paid and recognize efficiency and capability on the part of individual brokers. To make public the amount of brokerage paid to each individual broker would have repercussions far beyond the confines of this committee. It would have an adverse effect upon the Board's operations in the futures market and the relationship of the Board with the brokers used in connection with Board operations.

In addition, as I have already pointed out, a large percentage of brokerage is paid by the grain trade, including farmer-owned companies, and the Board's function is merely one of distribution. I am sure that the committee will appreciate the danger of misinterpretation being placed upon such a statement of brokerage payments—not by the committee, but by those who would detach details of such a statement from the explanations made before this committee.

I might add that this matter came up in connection with the 1936 Select Special Committee of the House, and that committee did not press for a statement of brokerage paid to individual brokers.

After due consideration the committee on division decided, in view of the statement made by the Chairman of the Board, that the information should not be furnished.

The committee satisfied itself however that all brokerage fees paid out by the Board were for services rendered in connection with the Board's operations by the brokers as a whole. These payments out were checked and certified as correct by the auditors of the Board.

The committee points out the chief function of the Canadian Wheat Board is to protect and further the interests of the wheat producer, and that it would be

unwise to hamper or embarrass the Board in carrying out this primary purpose. The distribution of brokerage fees is a matter that in the opinion of the committee can safely be left to the Wheat Board.

5. *That the Board had purchased wheat illegally:*

The evidence taken by the Committee shows that the Board has not purchased wheat from other than producers except under the authority of P.C. 1803 dated March 9th, 1942.

This Order in Council specifically empowered the Board to purchase wheat from other than producers. It also gave the Board wide powers to take whatever action was deemed necessary to prevent anyone making unearned profits because of change of initial payment from 70 to 90 cents per bushel.

The committee is of the opinion that when the Wheat Board Act was amended in 1942 increasing the initial payment from 70 to 90 cents per bushel the Government, in order to protect the public interest, had to immediately give the Wheat Board power to prevent speculators and others from making unearned profit as a result of this statutory change.

6. *As to the allegations respecting Orders in Council numbered 1800 to 1802 inclusive:*

Order in Council No. 1800—provided for the taking over by the Wheat Board of all flax seed and flax contracts in Western Canada, and to prohibit future trading in flax. The Order in Council also authorized the Wheat Board to purchase all flax marketed in Western Canada during the crop year 1942-43, at a price of \$2.25 per bushel, basis No. 1 C.W. flax at Fort William.

Order in Council No. 1801—empowers the Wheat Board to buy barley whenever the spot price for first-grade barley is 60 cents per bushel, basis in store Fort William or Port Arthur, and to buy oats when the spot price of first-grade oats is 45 cents per bushel. Authority is also given to arrange the spreads between the different grades of both these grains.

Order in Council No. 1802—provides authority for the regulation and restriction of deliveries of wheat, oats, barley, rye and flax seed. It requires producers to secure a permit from the Wheat Board before delivering any of these grains to either elevators or mills. This Order in Council provides for what is generally known as the "quota" system of delivery, and was necessary because of the limitation of wheat deliveries in Western Canada for the crop year 1942-43 to 280,000,000 bushels.

The committee is of the opinion that all of the above Orders in Council were necessary in order to protect the public interest and to enable the Wheat Board to carry out the new duties assigned to it of controlling the marketing of flax and coarse grains in the crop year of 1942-43.

The question of keeping open the Winnipeg Grain and Produce Exchange was also raised during the committee's inquiry. The Minister of Trade and Commerce read to the committee the material portion of a cabled message from the Import Cereals Division of the Ministry of Food of the United Kingdom. The Honourable J. G. Gardiner and the Honourable T. A. Crerar were each questioned as to their personal experience in discussing this matter during their visits to the United Kingdom. Mr. J. H. Wesson, President of the Saskatchewan Pool Elevators Association, advised the committee that his organization was in favour of closing the Winnipeg Grain Exchange but having been appraised of the contents of the cablegram referred to had not pressed the matter further.

The cablegram referred to was dated July 23rd, 1940, and read as follows:—

Please transmit to Government the following message dated 23rd July from Cereal Imports Branch Ministry Food quote This branch of the Ministry of Food is desirous that the Winnipeg futures market be kept open to enable the free movement of grain through normal trade channels stop It feels it is only by this method this country can secure shipment of the maximum quantity of Canadian grain and under present conditions hesitates to experiment with the delicate trade mechanism Signed on behalf of the committee A. Hooker, Deputy Director, Cereal Imports.

The evidence further discloses that on May 15th, 1942, the Chairman of the Board, at the request of the Honourable Mr. MacKinnon, Minister of Trade and Commerce, cabled the London agent of the Wheat Board as follows:—

Agricultural Committee of House of Commons in session here now and Minister of Trade and Commerce read into record your cable of July 23rd, nineteen forty, to me expressing Cereals desire that Winnipeg futures market be kept open stop Some members of committee questioned whether this expresses present view of Imported Cereals Division Ministry Food and Minister requests that you ask them to cable me the present official view of Ministry Food regarding Winnipeg futures market stop Would appreciate reply by Monday morning eighteenth May.

The following reply was received on May 16th, 1942:—

Answering yours fifteenth Ministry Food official reply follows, quote "Reference Biddulph's request from your Minister would say that the Imported Cereals Division of the Ministry Food are of the same precise opinion as that expressed in our cable of twenty-third July nineteen forty. In fact our experience of the last two years more than confirms our original view. Signed on behalf of the committee, A. Hooker, Deputy Director, Imported Cereals Division."

The committee is of the opinion that in the light of the information contained in the cablegrams referred to no other course is open to Canada than to carry out the express desire of the British Government.

The committee also inquired into the matter of the advisability of disclosing the price being paid by the Import Cereals Division of the Ministry of Food of the United Kingdom for Canadian wheat. Upon receiving the information from the Minister of Trade and Commerce that the British Government had specifically regulated that the price be not disclosed, the committee was of the opinion that no useful purpose would be served by pursuing the matter further.

The committee had before it members and officials of the Board of Grain Commissioners who reviewed the operations of the Government-owned terminal elevators under the control of the Board and dealt, in particular, with the lease of one of these to the McCabe Brothers Elevator Company, Limited.

The committee was furnished with information as to the history of the contract between the Board of Grain Commissioners and the McCabe Brothers Elevator Company, Limited, with regard to the rental to the McCabe Elevator Company, Limited, of the Government-owned terminal elevator at Port Arthur.

The evidence given to the committee shows that in normal times and in particular in small crop years the policy of the elevator companies is to use terminal elevator space owned or controlled by the individual company. The result is clearly shown in the financial history of the Government-owned terminal elevator referred to. In the early years it made a reasonable return on the capital investment but as more storage facilities were built by elevator

companies and producer organizations at the head of the lakes with feeder systems throughout Western Canada it became apparent that the storage space provided by Government-owned terminal elevators would only be used when other terminal space was filled and that operation by the Government would not likely be profitable.

In 1933 the Board of Grain Commissioners asked for tenders for the rental of the terminal elevator referred to. None of the tenders submitted was satisfactory and the Board notified those who tendered that fresh negotiations would have to take place. McCabe Brothers Company, Ltd., was the only tenderer who expressed a desire to negotiate a lease.

As a result of these negotiations the elevator was leased to McCabe Brothers Ltd. for one year with an option to renew the lease for one or two years. The company exercised this option. The second lease became operative from the first day of August, 1934, and was for a period of two years with an option to renew for a further three years. The company again exercised its option. The third lease was executed and ran from the first day of August, 1936, to the first day of August, 1939. This lease did not contain any renewal option. However, during the crop year 1937-38 the company approached the Board of Grain Commissioners with a proposal that the Board should install additional cleaning facilities for which the company was prepared to pay an increased rental. As a result of these negotiations the old lease was cancelled and a new lease entered into which ran from August 1st, 1938, to August 1st, 1944.

The net result of the lease arrangement with McCabe Brothers Company, Ltd. has been an annual yield to the Board of Grain Commissioners of approximately four and two-thirds per cent on the investment after allowance for depreciation.

The Committee finds that at the present time it might be profitable for the Board of Grain Commissioners to operate this terminal elevator because of the abnormal amount of wheat being carried in storage in Canada.

It is assumed however, that this abnormal carry over will not be permanent and in fact will be reduced to a normal carry over within a reasonable time.

In normal times and with a normal carry over, as was the case when the lease was entered into, the committee is of the opinion that the Board of Grain Commissioners was properly advised in entering into this lease arrangement.

The annual reports of the Wheat Board carry in extended detail the accounts of the Board's operations. The Board also makes weekly reports to the Minister of Trade and Commerce besides conferring regularly with the Wheat Committee of the Cabinet. A Wheat Advisory Committee composed of representatives of the producers and the grain trade has been set up to advise and assist the Board. The Board's policy has been carried out with the full knowledge and approval of the Government, and it is doubtful if any other agency of Government is under closer scrutiny.

Unwarranted attacks on the Board, in the performance of its duty in carrying out Government policy, are not only unjustified but are definitely harmful and liable to shake the confidence of the producer and the taxpayer of the country in the integrity of the Wheat Board officials. As evidence of this contention the Committee cites four statements relative thereto. The first is an editorial appearing in the *Winnipeg Tribune* under date of March 19th, 1942, which reads as follows:—

As a result of criticism voiced by Hon. R. B. Hanson, Opposition Leader, there is to be an inquiry into the operations of the Wheat Board. Trade Minister MacKinnon has promised that members of the Board and also of the Board of Grain Commissioners would be called as witnesses before the House Committee on Agriculture.

This is a large committee, and there have been suggestions that the inquiry might be more effectively conducted by a special committee of a dozen members or even by a Royal Commission. So many inquiries into the wheat business by Royal Commission have been held in the past twenty years that the very thought of still another Royal Commission is objectionable in wartime on the ground of expense.

No matter how the inquiry is conducted however, it should not be a mere fishing expedition trying to substantiate or disprove vague accusations. Mr. Hanson, in the course of his extensive remarks on the method by which wheat marketing is now carried on, said that the Wheat Board is "permitted to operate illegally". This is a grave charge, at least in its implications. But its weakness is precisely that the gravity is in the implications. If Mr. Hanson believed an inquiry was called for he should have made specific charges, and the inquiry should be an examination of those charges.

The Opposition Leader appears to believe that there is something irregular in the use by the Wheat Board of the Clearing House facilities of the Grain Exchange. As a matter of policy the facilities of the grain trade have been and are being used not only by the Wheat Board but also by the Governmental Cereal Import Committee in Great Britain. It should have been possible for him to criticize that policy without throwing out vague suggestions of illegality and malfeasance on the part of the men who are carrying out that policy. Mr. Hanson should submit specific charges or withdraw his implications.

The second is a statement of Mr. John I. McFarland referred to in the report of the Royal Grain Inquiry Commission of 1938, and is as follows:—

Harmful Intrusion of Politics

In 1930 our country was facing a crisis, and it never occurred to me that politics would be a disturbing factor. Had I known such a situation would develop I would not have undertaken the job, for I am not a politician and have never had political aspirations. However, I do wish to acknowledge the fact that I received from all political parties a remarkable measure of tolerance and support up to 1934-35, or just prior to the time when the next Federal Election became an interesting subject. As a result of this intrusion of politics the problem was made increasingly difficult and complex. Continuous and widespread criticisms appeared in newspapers and periodicals, and not only created suspicion and misapprehension among the people of Canada but also tended to destroy confidence in importing countries, as well as in other exporting countries.

The third is a statement by Mr. J. R. Murray and also referred to in the report of the same inquiry. It is as follows:—

The criticism which has been directed against our operations illustrates what will always be one of the greatest difficulties confronting any Government Board, viz., satisfying the producer and Parliament. Wheat is a commodity subject to the play of constantly changing conditions. In selling wheat the very nature of the problem—when, how much and at what price to sell—is such that there must always be differences of opinion as to the best course to follow. Any Board has to reach decisions and act in the light of facts and possibility as they see them and honest criticism, no matter how severe, need not be a cause of concern to anyone. There is another class of criticism. Some individuals for reasons best known to themselves, make their contribution to our wheat problem in

the form of speeches or statements containing what can only be described as false statements. As people will listen to them and believe them, ignoring them simply assists them in killing the operation of the system they profess to uphold. It may be important to assess the probable effect of continued criticism on any future Wheat Board in their handling of the particular marketing problems that they will have to deal with from time to time.

The fourth is the comment by Mr. Justice Turgeon in the Report referred to.

It is perhaps impossible to exclude any Government appointed body from public criticism; but the fact that the members of such a body will sometimes believe and feel that the criticism to which they are subjected is unfair and of a nature to mislead those whom they are trying to serve, is something that will surely militate against the continued efficient performance of their duties. All this is bad for the producer. His interests are best served when politics are dissociated from his business.

With a view to avoiding to some extent unwarranted and unfounded criticism and in an attempt to maintain the confidence of both the producer and the taxpayer in the Wheat Board and its officials the committee recommends that the annual reports of the Board be referred early in each year to a committee of the House of Commons.

Your committee was impressed, during its enquiry, with the capacity and ability of the members and officials of the Canadian Wheat Board and desires to record its opinion that the marketing of Canada's wheat is being carried out by them in an efficient and business-like manner.

The committee files along with its report a copy of the evidence and proceedings taken before the committee and the reports of the Canadian Wheat Board for the crop years 1939-40 and 1940-41.

Respectfully submitted,

W. G. WEIR,
Chairman.

v. D
an
Com
A

CA1
XC12
-A48

Government
Publications

SESSION 1943
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1

E. J. McPherson

WEDNESDAY, MAY 26, 1943
TUESDAY, JUNE 1, 1943

Reference

REPORT OF CANADIAN WHEAT BOARD FOR
CROP YEAR 1941-42

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board
Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



ORDERS OR REFERENCE

HOUSE OF COMMONS,

MONDAY, February 15, 1943.

Resolved,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

Messieurs

Authier,	Fontaine,	Matthews,
Aylesworth,	Furniss,	Mullins,
Bertrand (<i>Prescott</i>),	Gardiner,	Nielsen (<i>Mrs.</i>)
Black (<i>Chateauguay-Huntingdon</i>),	Golding,	Perley,
Blair,	Gregory,	Poirier,
Bourget,	Hatfield,	Quelch,
Cardiff,	Henderson,	Rennie,
Clark,	Kirk,	Rhéaume,
Cloutier,	Laflamme,	Rickard,
Cruikshank,	Lafontaine,	Ross (<i>Souris</i>),
Dechene,	Lalonde,	Ross (<i>Middlesex East</i>),
Desmond,	Leader,	Ross (<i>Moose Jaw</i>),
Diefenbaker,	Leclerc,	Rowe,
Donnelly,	Leger,	Senn,
Douglas (<i>Weyburn</i>),	Lizotte,	Soper,
Douglas (<i>Queens</i>),	MacDiarmid,	Tustin,
Dubois,	MacKenzie	Ward,
Evans,	(<i>Lambton-Kent</i>),	Weir,
Fair,	McCuaig,	Whitman,
Ferron,	McCubbin,	Wright—60.
	McNevin (<i>Victoria, Ont.</i>),	

(Quorum 20)

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, May 11, 1943.

Ordered,—That the Report of the Canadian Wheat Board for the crop year 1941 to 1942 be referred to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, May 28, 1943.

Ordered,—That authority be granted to print from day to day, 500 copies in English and 200 copies in French of minutes of proceedings and evidence to be taken by the said Committee, and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the said Committee be empowered to sit while the House is sitting.

Ordered,—That the quorum of the said Committee be reduced from 20 to 15 members, and that Standing Order 63 (1) (f) be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, May 26, 1943.

The Standing Committee on Agriculture and Colonization begs leave to present the following as a

FIRST REPORT

Your Committee recommends:—

(1) That authority be granted to print from day to day, 500 copies in English and 200 copies in French of minutes of proceedings and evidence to be taken by the said Committee, and that Standing Order 64 be suspended in relation thereto.

(2) That it be empowered to sit while the House is sitting.

(3) That the quorum be reduced from 20 to 15 members, and that Standing Order* 63 (1) (f) be suspended in relation thereto.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 26, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Bourget, Cardiff, Cloutier, Cruickshank, Dechene, Diefenbaker, Douglas (*Weyburn*), Dubois, Evans, Fair, Ferron, Fontaine, Furniss, Golding, Henderson, Kirk, Laflamme, Lafontaine, Leclerc, Leger, Lizotte, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Nielsen, (*Mrs.*), Perley, Rennie, Rheaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Senn, Soper, Tustin, Ward, Weir, Whitman.—43.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce.

A quorum being present, the Chairman called the Committee to order and the Clerk read the Order of Reference.

Discussion followed and Mr. Vincent Dupuis, M.P. for Chambly-Rouville requested the privilege of addressing the Committee. This being granted, Mr. Dupuis suggested to the Committee that a subcommittee be named to study Eastern farm problems.

Hon. J. A. MacKinnon, Minister of Trade and Commerce, also addressed the Committee.

It was suggested by Mr. Golding that the chiefs of the various wartime boards relating to agriculture should be heard by the Committee.

On motion of Mr. Diefenbaker, seconded by Mr. Senn, it was

Resolved,—That the Committee do report to the House and recommend that it be empowered to inquire into and review the policy of the Government as administered by the Canadian Wheat Board from August 1, 1942, up to the present.

Yeas, 21; nays, 19.

Mr. McNevin (*Victoria, Ont.*), moved that the committee do now adjourn. Motion negatived.

Mr. Cruickshank moved, seconded by Mr. Leclerc,—

That the Committee report to the House and recommend that it be empowered to cover and inquire into Dairying, Poultry and all other lines of Farm Produce, including Live Stock, and the processing and marketing of all farm products.

Mr. Ross (*Souris*) moved in amendment thereto that all the words after "empowered" be struck out and the following words substituted therefor: "to review the research work of the Department of Agriculture and also the work of that Department in respect to wartime activities."

Amendment negatived. Main motion passed in the affirmative.

On motion of Mr. Golding,—

Resolved—That the Committee report to the House recommending:—

(1) That authority be granted to print from day to day, 500 copies in English and 200 copies in French of minutes of proceedings and evidence to be taken by the said Committee, and that Standing Order 64 be suspended in relation thereto.

(2) That it be empowered to sit while the House is sitting.

(3) That the quorum be reduced from 20 to 15 members, and that Standing Order 63 (1) (f) be suspended in relation thereto

The Committee then adjourned to meet again at the call of the Chair.

WALTER HILL,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 1, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Cardiff, Criuckshank, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Gardiner, Golding, Henderson, Laflamme, Lafontaine, Leclerc, Leger, MacDiarmid, McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Mullins, Nielsen (*Mrs.*), Perley, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Rowe, Senn, Soper, Tustin, Ward, Weir, Wright.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board: Mr. George McIvor, president; Mr. R. C. Findlay, comptroller; and Mr. Clyde B. Davidson, statistician.

The minutes of proceedings of the previous meeting held on Wednesday, May 26, were read and adopted, it being agreed that Mr. Cruickshank's motion therein, adopted by the Committee on that day, remain in abeyance until the Committee shall have disposed of the Canadian Wheat Board Report—Crop Year 1941-42.

The Chairman named the following as a steering committee: Messrs. Donnelly, McNevin (*Victoria, Ont.*), Leclerc, Leger, Ross (*Souris*), Wright, Fair and Weir.

The Committee proceeded to the consideration of the Report of the Canadian Wheat Board—Crop Year 1941-42.

Mr. George McIvor, chairman of the board, and Mr. R. C. Findlay, comptroller, were called and sworn by the Clerk.

On motion of Mr. McNevin (*Victoria, Ont.*), the Committee adjourned to meet again at the call of the Chair.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 1, 1943.

The Standing Committee on Agriculture and Colonization met this day at 12 o'clock noon. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Gentlemen, we have with us this morning Mr. McIvor, the Chairman of the Canadian Wheat Board, Mr. Findlay, the Comptroller, and Mr. Clyde Davidson, a gentleman whose knowledge on the matter of wheat is very wide. Now, is it the wish of the committee to have the board called? Mr. McIvor suggested to me that it would meet the convenience of the board if Mr. Findlay's services could be utilized early in the committee's deliberations as he is the treasurer and the man who keeps things in order in Winnipeg, and Mr. McIvor is anxious for him to get back to his duties as he feels that his return to Winnipeg is of great importance.

Now, would the committee wish Mr. McIvor to make a general statement and then proceed to deal with the accounts themselves and secure any explanation that we need from Mr. Findlay?

Mr. PERLEY: I think it would be well to have Mr. McIvor make a general statement.

The CHAIRMAN: I should like his statement to be fairly brief, and he can add to it later with respect to policy.

Mr. PERLEY: When we come to the accounts, there is quite a difference between the set-up this year and that of last year, and a little explanation from Mr. Findlay would be valuable. Mr. McIvor could give us a general statement dealing with the report up to the accounts.

Hon. Mr. MACKINNON: I should like to say that when we met here last year the Canadian Wheat Board consisted of Mr. McIvor, chairman, Mr. Gordon Smith, vice-chairman, and the late Mr. Folliot as the other member of the board. The untimely passing of Mr. Folliot left a vacancy on the board that has been difficult to fill, but to that vacancy Mr. Daniel A. Kane, the general manager of the Manitoba Wheat Pool, has been appointed. At this time Mr. Smith has had to remain in Winnipeg to look after the operations of the board while Mr. McIvor and Mr. Findlay and Mr. Davidson have come to Ottawa. I thought you would like to have a word from me concerning Mr. Kane. In 1911 he bought grain for the original Reliance Grain Company in southern Saskatchewan. In 1916 he moved to Hanna, Alberta, and bought grain for a few months for the Home Grain Company and was appointed travelling superintendent with headquarters in Calgary. In 1921 he was appointed assistant manager of the Searle Grain Company, whose head office was then at Melfort, Saskatchewan, and shortly afterwards he was appointed manager of the Canada West Grain Company at Melfort, Saskatchewan. In 1922 the head office of that company was moved to Winnipeg, and in 1926 when the company was sold to the McLaughlin Grain Company he took over the management of that concern and also the Gold Grain Company. Elevators of both companies were chiefly in Saskatchewan. He continued with them until the fall of 1928 when he joined the Manitoba Pool Elevators. He has also taken care of the terminal operations for the Alberta Wheat Pool during the greater part of this period. I mentioned these facts to show you Mr. Kane's wide connection with the three western provinces.

The CHAIRMAN: May I say as one who comes from Manitoba that I am greatly pleased that the government has seen fit to choose a resident of Manitoba

as the additional member of the Canadian Wheat Board. I have known Mr. Kane for a number of years and have been associated with him to some extent, and I think the government ought to be highly complimented upon being able to secure his services. My own opinion is—and I say this frankly—that he is among the best grain men in the business and that he definitely has the producers' point of view at heart to a very great degree; and I may say that the contribution he can make to the wheat board by virtue of his wide experience should be most gratifying to the government and should be of great value in the operations of the board. Although we all regret the passing of Mr. Folliot, I may say again that as a Manitoba man I am pleased that we have been able to secure the services of Mr. Kane.

Now, last year the committee requested that the witnesses be sworn. It is a formality and is customary in matters of this kind, not because we doubt the honesty or integrity of the witnesses; and it would probably be well to proceed with that formality again.

Mr. GEORGE McIVOR, Chairman of the Canadian Wheat Board, and Mr. R. C. FINDLAY, Comptroller of the Canadian Wheat Board, called and sworn.

The CHAIRMAN: Now, gentlemen, perhaps we could proceed by having a statement from Mr. McIvor somewhat along the lines suggested by Mr. Perley, and later on we can determine our procedure for future meetings.

Mr. McIVOR: Mr. Chairman, Hon. Mr. MacKinnon and hon. members, I have not a prepared statement. In discussing the question of procedure with Mr. Weir, your chairman, I took the liberty of suggesting to him that, perhaps, if Mr. Findlay could go through the accounts and then be released to enable him to return home it would be most convenient to the board. I might say that I have to remain here this week on other business, irrespective of how long the committee sits or the period during which I shall have to appear before the committee. On the other hand, you know that Mr. Findlay, as comptroller of the organization, particularly at this season of the year has a great deal of work to do, and that is the reason why I am making this suggestion.

Mr. DOUGLAS: Are the proceedings of the committee to be reported from now on?

The CHAIRMAN: Yes.

Mr. McIVOR: I should like to take this opportunity, Mr. MacKinnon, to thank you for your kindly reference to Mr. Folliot. I was associated with him on the board for a matter of four years and I wish to say to this committee that he was a real public servant, a very hard worker and a man of excellent judgment. Consequently, we felt his passing very keenly. However, I do wish to say also, in addition to what Mr. Weir has said, that we feel that in Mr. Kane we have one of the outstanding men in the trade and in producer circles in the marketing of grain in western Canada. I do not know personally of a more competent man. Therefore I feel very pleased that the government have appointed Mr. Kane as the third man on the board.

I do not know, Mr. Chairman, that I can do better than read the early part of this report which may bring up some questions which I shall endeavour to answer.

In 1941-42, the activities of The Canadian Wheat Board show the first reflections of the reduced emphasis on wheat and the trend toward diversification of western grain production. The restrictive effect of the third year of war upon the international movement of wheat resulted in enlarged accumulations of surplus wheat in the four chief exporting countries—a surplus which increased from 635 million bushels on July 31, 1939, to 1,430 million bushels on July 31, 1942.

Although supplying the bulk of the wheat requirements of the United Kingdom since the outbreak of war, exports of Canadian wheat were not sufficient to take care of the large crops harvested in 1939 and 1940, with the result that the Canadian carryover increased to record proportions on July 31, 1941. The upward trend in wheat stocks in Canada was only moderately offset by the small crop produced in 1941, the carryover at July 31, 1942, being 424 million bushels compared with 480 million bushels at July 31, 1941.

Thus, the third year of the war found the exporting countries generally concerned with problems of surplus wheat, problems of storage, and problems in the financing of wheat in all its aspects. These were the circumstances under which The Canadian Wheat Board operated in 1941-42, under the wheat program established by the dominion government for that crop year.

1941-42 WHEAT PROGRAM

With Canadian stocks of wheat indicating a prospective Canadian carry-over of unprecedented proportions on July 31, 1941, the 1941-42 wheat programme was the subject of intensive study by the dominion government, The Canadian Wheat Board, and the advisory committee to The Canadian Wheat Board. In discussing plans for 1941-42 the report of The Canadian Wheat Board for the crop year 1940-41 stated:

With the carryover of Canadian wheat threatening to exceed 500 million bushels, and with storage facilities badly congested, it seemed clear that continuation of the traditional policy of unrestricted wheat production was not advisable under war conditions. The considerable outlay for storage and carrying charges on huge stocks of wheat could not logically be increased, when the funds were needed in more direct war effort. There developed a fairly common agreement that wheat deliveries must be restricted to the amount of wheat that could be sold at home and abroad during the crop year 1941-42.

The 1941-42 wheat delivery program was provided for in order in council P.C. 3849 of May 30, 1941. This program called for the limitation of wheat deliveries for the crop year 1941-42 to approximately 230 million bushels for the whole of Canada. The Canadian Wheat Board was charged with the responsibility of implementing the limitation in total marketings of wheat in Canada, and under the above order in council was given the necessary regulatory powers. In the administration of the limitation on total marketings in the west, an "authorized acreage" for delivery purposes was established for each producer on the basis of 65 per cent of his declared wheat acreage in 1940. Facilities were provided for the upward adjustment of authorized wheat acreages in the case of producers who had seeded an unusually low wheat acreage in 1940. Particular attention was paid to those districts where drought and grasshoppers greatly reduced wheat seeding in 1940. Other producers had their authorized acreages lowered because of unusually high wheat acreages seeded in 1940. The adjustment of these extremes modified the inequities arising from the use of a single base year.

The number of bushels per authorized acre to be marketed in 1941-42 was left open until the size and pattern of the 1941 crop were known. Provision was made for a sliding scale of deliveries based on yields should the size and distribution of the 1941 crop make such an arrangement necessary.

The statutory fixed initial price of 70 cents per bushel basis in store Fort William/Port Arthur or Vancouver remained in effect.

The Wheat Acreage Reduction Act 1941 played an important part in defining the wheat position in Canada during 1941-42. Under this legislation bonuses were paid for wheat acreage reduction in 1941 as compared with 1940.

THE DEVELOPMENT OF THE 1941 CROP

(a) ACREAGE

As contemplated by the 1941-42 wheat program, including the introduction of bonuses for wheat acreage reduction, a very large decline in wheat acreage was reported by the Dominion Bureau of Statistics on August 10, 1941. The acreage sown to wheat in Canada declined from 28,726,000 acres in 1940 to 21,882,000 acres in 1941, and wheat acreage in the prairie provinces declined from 27,750,000 acres to 21,140,000 acres—a reduction of about 24 per cent. Wheat acreage in the prairie provinces in 1941 was the lowest in fifteen years, and returned to the approximate levels of 1927 and 1928.

(b) GROWING CONDITIONS

The 1941 crop was seeded under favourable circumstances and it was not until June 15th that adverse conditions developed in parts of Saskatchewan and Alberta. During the balance of June and July a combination of drought and extremely high temperatures caused a rapid deterioration in the grain crops in Saskatchewan and Alberta. Conditions remained favourable in Manitoba throughout the season. By the middle of July it was apparent that 1941 production would be well below average. The following table shows grain production in Canada and in the prairie provinces in 1941, with comparative figures for 1940:

	All Canada		Prairie Provinces	
	1941	1940	1941	1940
	(million bushels)		(million bushels)	
Wheat	315	540	296	514
Oats	306	381	178	229
Barley	111	104	95	83
Rye	12	14	10	12
Flax	6	3	6	3
Totals	750	1,042	585	841

Wheat production in Canada was 225 million bushels less than in 1940, and the production of all grain and flaxseed was 292 million bushels less than in the previous year.

The decline in wheat production in 1941, resulting from low yields per acre and a large reduction in wheat acreage, was reflected in the subsequent administration of 1941-42 wheat policy by The Canadian Wheat Board. Although crop estimates made in the fall of 1941 turned out to be too low when disposition data were complete, it was apparent that the probable deliveries would not be sufficiently different from "approximately 230 million bushels" to justify the continuance of a restrictive quota system.

MARKETINGS AND PRICES

During the crop year 1941-42, producers in western Canada marketed 227.9 million bushels of wheat as compared with marketings of 456 million bushels during 1940-41. Thus, marketings in 1941-42 were about one-half the volume of the preceding crop year. Of particular importance, wheat marketings by producers during the last month of the crop year amounted to about 25 million bushels. The last week of July was the third heaviest delivery week of the entire crop year, over 9 million bushels of wheat being marketed in that week. These heavy deliveries in the last few weeks of the crop year materially affected the storage situation at a large number of points in the west, and had definite reper-

cussions upon available storage space and delivery quotas in the early part of the new crop year commencing on August 1, 1942. Heavy deliveries of wheat in the final months or weeks of the crop year will always present administrative difficulties for The Canadian Wheat Board, and will have repercussions on the ensuing crop year as long as relatively large stocks are being carried in Canada.

Of total marketings of 227·9 million bushels in the west during the crop year 1941-42, producers delivered 100 million bushels to the board, or about 44 per cent of their marketings. In the previous crop year producers delivered 395 million bushels to the wheat board out of total marketings of 456 million bushels.

The relatively small amount of wheat delivered to the board in 1941-42 was a reflection of the fact that the market price for wheat remained steadily above the board's price throughout the crop year, as shown in the following table:—

	Board Price No. 1 Nor. Wheat Plus Farm Storage	Cash Closing Price* No. 1 Nor. Wheat	
		High	Low
(cents per bushel)			
August	70	74 ³ / ₄	71 ⁵ / ₈
September	70	73 ⁷ / ₈	71 ³ / ₈
October	70	77 ³ / ₈	71 ⁵ / ₈
November	70½—71	74 ³ / ₈	72 ¹ / ₄
December	71—71½	75 ³ / ₈	73 ³ / ₄
January	71½—72½	78 ³ / ₈	74 ³ / ₈
February	72½—73	78 ³ / ₄	75½
March	73—73½	78½	76 ³ / ₈
April	73½—74	79½	78 ³ / ₈
May	74—75	79 ³ / ₈	79½
June	75—75½	80 ³ / ₈	79 ³ / ₈
July	75½—76	81½	80 ³ / ₈

* Basis in store Fort William/Port Arthur.

EXPORTS

Overseas clearances and United States imports of Canadian wheat amounted to 176,081,138 bushels. Exports of wheat flour were maintained at a high level in 1941-42, and were the equivalent of 45,926,003 bushels of wheat. Thus total exports of wheat and wheat flour amounted to 222,007,141 bushels as compared with 231,206,246 bushels in the preceding crop year 1940-41. As in the previous crop year, the United Kingdom was the main purchaser of Canadian wheat and Canada provided a very large share of total British imports.

WESTERN PRICES

As in 1940-41, the initial price of the basic western grade, No. 1 northern, was fixed by statute at 70 cents per bushel. On August 2, the board fixed the initial price of other principal grades, and these were approved by order in council P.C. 5913. The remaining initial prices were fixed by the board and approved by the government on August 22 under order in council P.C. 6552.

THE DELIVERY QUOTA SYSTEM

Since it was apparent early in the crop year that the marketable surplus of the 1941 crop in the west would not exceed the limit of marketings established by the dominion government under its wheat policy for the crop year, the board proceeded to operate its wheat delivery quota system on the basis in effect in 1940-41. On July 24, 1941, the board announced that there would be no

delivery quotas on oats, barley, rye and flaxseed, and that producers could deliver these grains without restriction as to delivery point and without entering such deliveries in their 1941-42 permit books. The reason for this decision was the small crop harvested in 1941 and the certainty that deliveries of these grains would be absorbed without difficulty and without taking up available storage space for any length of time. On the same date, the board announced that effective August 1, 1941, the first quota on wheat deliveries would be 5 bushels per authorized acre. By "authorized acre" is meant the wheat acreage for delivery purposes established by The Canadian Wheat Board and shown in each permit book. It was necessary to place restrictions on the marketing of wheat during the fall months because less than 90 million bushels of space were available in country elevators on August 1, 1941, and even though the wheat crop was small, care had to be taken to see that each producer secured his fair share of the available storage space until such time as space was available for all 1941-42 deliveries.

A note-worthy feature of the 1941-42 crop year from the delivery quota standpoint was the rapid rate at which delivery quotas were increased. The general 5 bushel per authorized acre delivery quota remained in effect until October 7, when it was raised to 8 bushels per authorized acre. On October 16 the general quota was increased to 12 bushels per authorized acre and on November 21 to 15 bushels. On November 18, the board established a number of "open delivery points" where space was sufficient to take care of the balance of prospective 1941-42 marketings. The number of delivery points on an "open delivery" basis was rapidly increased during the last two weeks of November, and on December 4, all delivery points in the west were placed on an "open delivery" basis.

Little trouble was experienced with infractions of the delivery quotas during the short period the quotas were in operation. Sixty cases were investigated and twenty-three prosecutions launched, convictions being obtained in all cases.

The CHAIRMAN: Is it the wish of the committee to have this brief read into the record or can we proceed in some other manner?

Mr. PERLEY: There is not very much more, Mr. Chairman. I think he had better finish it. As I understand it, he will be available after Mr. Findlay is through. It may be that some of us may make a notation with respect to certain questions that should be asked.

The CHAIRMAN: Is it the wish of the committee to proceed in that way?

Mr. McCUAIG: What is the purpose of having it copied into the record?

Mr. PERLEY: It may be useful if you are going to ask any questions on it later.

The CHAIRMAN: All right; we shall proceed.

Mr. PERLEY: It does not take any more time.

Mr. McIVOR:

FARM STORAGE

In accordance with the powers granted to the board by section 7(h) of The Canadian Wheat Board Act, as amended in 1940, farm storage payments were made to producers on the same basis as in 1940-41, namely at the rate of 1/45 of a cent per bushel per day. Farm storage commenced on October 8th and was paid on all grades of wheat delivered to the board between November 1, 1941 and July 31, 1942.

The following table shows board wheat receipts from producers and the payments made to producers on account of farm storage:

Time of Delivery to the Board (dates inclusive)	Board's Fixed Price No. 1 Northern basis Ft. Wm./Pt. Arthur or Vancouver	Farm Storage Payable	Board's Fixed Price Plus Farm Storage	Receipts from Producers	Payments Made to Producers
Previous to Nov. 1, 1941	70	..¢	70¢	55,245,650-15	\$
Nov. 1 " Nov. 22	70	$\frac{1}{2}$	70 $\frac{1}{2}$	15,180,265-05	75,901 21
Nov. 23 " Dec. 15	70	1	71	13,088,101-55	130,880 76
Dec. 16 " Jan. 7, 1942	70	1 $\frac{1}{2}$	71 $\frac{1}{2}$	6,426,618-00	96,398 92
Jan. 8 " Jan. 30	70	2	72	2,918,939-35	58,378 66
Jan. 31 " Feb. 22	70	2 $\frac{1}{2}$	72 $\frac{1}{2}$	950,080-15	23,751 82
Feb. 23 " Mar. 17	70	3	73	1,292,057-40	38,761 53
Mar. 18 " Apr. 9	70	3 $\frac{1}{2}$	73 $\frac{1}{2}$	744,271-50	26,049 42
Apr. 10 " May 1	70	4	74	356,274-50	14,250 95
May 2 " May 24	70	4 $\frac{1}{2}$	74 $\frac{1}{2}$	501,404-40	22,563 21
May 25 " June 16	70	5	75	587,594-40	29,379 70
June 17 " July 8	70	5 $\frac{1}{2}$	75 $\frac{1}{2}$	532,911-45	29,310 10
July 9 " July 31	70	6	76	1,717,027-50	103,021 70
				<u>99,541,198-20</u>	<u>\$648,647 98</u>

Total payments to producers for farm storage amounted to \$648,647.98 during 1941-42, as compared with \$6,147,524.03 paid in 1940-41. Farm storage payments in 1941-42 reflected the relatively heavy marketings previous to November 1, the higher prices for wheat marketed outside the board, and the smaller crop.

PROCESSING LEVY

By order in council P.C. 5844, dated July 31, 1941, the section in The Canadian Wheat Board Act providing for the collection of the processing levy was repealed. In accordance with this order in council the board discontinued the processing levy at the close of business on July 31, 1941, and in the 1941-42 crop year merely completed the collection of levies due to the board up to and including July 31, 1941.

SPECIAL MEASURES REGARDING FLAXSEED

On March 5, 1942, order in council P.C. 1636 "froze" the stocks of flaxseed in Canada under the supervision of The Canadian Wheat Board and provided penalties for any breach of the order. This step was taken because the necessary supply of vegetable oils for Canada and her Allies was seriously threatened by the spread of war in the Pacific area. A higher price was intended for 1942 production and control of existing stocks was an essential prerequisite to the establishment of the new policy.

On March 9, 1942, order in council P.C. 1800 gave The Canadian Wheat Board wide powers in respect to flaxseed in Canada, subject to the naming of an effective date upon which this order in council would come into effect. On March 19, 1942, order in council P.C. 1800 was brought into effect by order in council P.C. 2166.

The Canadian Wheat Board was given compulsory power to take title to and possession of all flaxseed in store in Canadian elevators, warehouses and mills, whether licensed or unlicensed, and the acceptance of delivery of flaxseed from producers was made a duty of the board. The board was empowered to take over such flaxseed on the basis of Winnipeg market prices on the day preceding the effective date of order in council P.C. 1800. The order in council also provided for the suspending of trading in flaxseed futures and cash flaxseed on any grain exchange, or elsewhere in Canada. In the selling of flaxseed

acquired under this order in council, the board was specifically instructed to observe the maximum price regulations in respect to this product. The basis of the board purchases of flaxseed from producers during the crop year 1942-43 was also set forth.

Under order in council P.C. 1800, which was made effective from March 19, the board took over 1,968,462-09 bushels of flax prior to July 31, 1942 (including purchase of 1941 flaxseed from producers). Between the effective date of order in council P.C. 1800 and the end of the crop year on July 31, 1942, board sales of flax amounted to 1,339,205 bushels, leaving stocks on hand on July 31, 1942, of 629,257-09 bushels. Open futures trades of 1,116,000 bushels were closed out on the basis of, and under the authority of order in council P.C. 1800.

EASTERN DIVISION

On June 25, 1941, by order in council P.C. 4535, the price of 70 cents per bushel, basis delivered in Montreal, for No. 1 grades of Canada Eastern winter wheat, was continued for another year. On July 8, 1941, by order in council P.C. 5040 prices of No. 2 and No. 3 grades were fixed at 68 cents and 65 cents per bushel respectively.

Owing to the small wheat crop in Ontario in 1941, the price of Ontario wheat rose far above the board's initial price, as established by order in council P.C. 4535. Ontario producers therefore had a market for their wheat outside of The Canadian Wheat Board. As a result, only a very small amount of wheat was delivered to the board by one producer, which would have meant excessively high per-bushel handling costs. For these reasons, the government, by order in council P.C. 7700, dated October 4, 1941, announced that The Canadian Wheat Board would accept Ontario winter wheat only in the event that the market price for No. 1 grades of Ontario winter wheat at country points fell below the price of 80 cents basis export rail freights to Montreal. This same order further empowered the board to return to the producer the small amount of 1941 wheat delivered to the board prior to October 4, 1941. The terms of order in council P.C. 7700 were carried out by the board, and since the price remained above the figure set, no deliveries to the board were made and there are no operations to be reported.

ADVISORY COMMITTEE

The advisory committee continued to render assistance to the board and to the dominion government during the crop year 1941-42. During the crop year four meetings of the advisory committee were held and a wide range of matters came under review of the committee. Particular attention was paid to formulation of recommendations in respect to the wheat policy for 1942-43, two meetings of the advisory committee being largely devoted to this purpose. Among other important matters referred to the advisory committee were farm storage, car allotment, basis of delivery quotas and the domestic price of wheat.

During the year, Mr. D. G. McKenzie, chairman of the advisory committee, tendered his resignation on being appointed Chief Commissioner of the Board of Grain Commissioners for Canada. Mr. McKenzie was succeeded on the committee by Mr. R. C. Brown of Pilot Mound, Manitoba, and Mr. Lew Hutchinson was elected chairman of the advisory committee.

1942-43 PROGRAM

After several months of thorough consideration, the dominion government announced its 1942-43 grain program on March 9, 1942. Among the factors which were of decisive importance in determining the 1942-43 grain policy were the following:—

- (1) The necessity of increasing production of oats and barley to meet the feed situation arising from a rapidly expanding live stock industry; and the necessity of increasing flaxseed production in order to secure war-time requirements of vegetable oils;
- (2) The large stocks of wheat in Canada in relation to available storage capacity, and to market possibilities;
- (3) The need to improve the income of those producers whose main cash crop is wheat.

The 1942-43 grain program, as announced by the Hon. James A. Mackinnon, Minister of Trade and Commerce, and the Hon. J. G. Gardiner, Minister of Agriculture, is summarized as follows:—

(1) *Prices*

The fixed initial price was increased from 70 cents per bushel for No. 1 Northern in store Fort William/Port Arthur or Vancouver to 90 cents per bushel for the same grade of wheat in the same position.

(2) *Limitation of Marketings*

For the crop year 1942-43 permitted marketings were set at 280 million bushels for the West, as compared with 230 million bushels for all of Canada in the previous crop year.

(3) *Minimum Prices for Barley*

For the crop year 1942-43 The Canadian Wheat Board was empowered to buy Winnipeg barley futures or cash barley at a price per bushel which would assure that producers in western Canada would be continuously offered the following prices per bushel basis in store Fort William/Port Arthur: No. 1 Canada Western 2 Row or 6 Row, or No. 2 Canada Western 2 Row or 6 Row—60 cents per bushel; No. 3 Canada Western—58 cents per bushel; or No. 1 Feed—56 cents per bushel.

(4) *Minimum Prices for Oats*

For the crop year 1942-43 The Canadian Wheat Board was empowered to buy Winnipeg oats futures or cash oats at a price per bushel which would assure that producers in western Canada would be continuously offered the following prices per bushel basis in store Fort William/Port Arthur: No. 2 Canada Western Oats—45 cents per bushel; Extra No. 3 Canada Western, No. 3 Canada Western, or Extra No. 1 Feed—42 cents per bushel; or No. 1 Feed—40 cents per bushel.

(5) *Fixed Price for Flax*

For the crop year 1942-43 The Canadian Wheat Board was designated as the only agency to receive flaxseed from producers in Canada. The Canadian Wheat Board was empowered to purchase flaxseed on the basis of \$2.25 per bushel for No. 1 Canada Western Flax, basis in store Fort William/Port Arthur.

(6) *Payments for Wheat Acreage Reduction*

With some changes, acreage bonuses under the Wheat Acreage Reduction Act were continued for 1942-43.

ADJUSTMENT OF CANADIAN WHEAT STOCKS TO HIGHER PRICE LEVEL

On March 5, 1942, a resolution appeared on the order paper of the House of Commons providing for "the payment of an increase rate per bushel of wheat delivered by producers". Pending official action, The Canadian Wheat Board

issued a press announcement, which was brought to the attention of those concerned prior to the opening of the market on March 6, 1942. The announcement read as follows:—

A resolution placed on the order paper for March 5, 1942, indicates the government's intention to increase the initial price of wheat. This is an official notification of our intention that all open wheat futures will be adjusted to the new level of wheat prices on or before July 31, 1942, and that all open wheat futures will be cleared on or before this date at the closing prices of Thursday, March 5, that is May wheat futures at 79½ cents and/or July wheat futures at 80½ cents. If this action is not taken until July 31, suitable carrying charges will be allowed to holders of cash wheat for the elapsed period during the month of July. Unhedged cash wheat will be adjusted on the same basis. In the meantime holders of cash wheat as well as futures may continue to carry on with their normal business bearing in mind the above.

The result of this action was that persons holding cash wheat or wheat futures could not sell at prices higher than those ruling at the market close of March 5, after allowing for carrying charges.

On March 9, 1942, order in council P.C. 1803 was passed, giving The Canadian Wheat Board all the necessary powers to transfer all non-board or open market stocks of Canadian wheat (Western Canada grain grades) to the new and higher price level. An important feature of the mechanism was to prevent speculative profits accruing as a result of this decision in respect to wheat policy. By the terms of the order in council, The Canadian Wheat Board was given the power, up to and including July 31, 1942, to buy actual wheat from persons other than producers, to control and adjust trading and contracts in Winnipeg wheat futures and to exercise any other powers necessary to give effect to the change from the lower to the higher price level.

The board carried out the instructions contained in the order in council. The procedure employed is found in Instructions to the Trade No. 113 of June 15, 1942, and No. 133 of July 29, 1942. The actual operations involved in carrying out the order, including the purchases, net sales and unsold stocks held by the board are found in a subsequent section of this report.

MAXIMUM PRICES OF GRAINS

The board undertook the responsibility of acting as administrator on behalf of The Wartime Prices and Trade Board in defining the maximum prices at which certain grains traded during the basic period September 15 to October 11, 1941.

SALES TO THE UNITED KINGDOM

A sale of 120 million bushels of Winnipeg wheat futures was made to the United Kingdom in November, 1941, and a further sale of 120 million bushels was completed in May, 1942.

LONDON OFFICE

Mr. R. V. Biddulph, European commissioner of the board, continued his liaison work between the board and the Imported Cereals Division of the United Kingdom Ministry of Food and also acted as the board's agent in transactions with the United Kingdom treasury. He also assisted in the negotiations leading to the sale of wheat to Russia on credit and the gift of wheat to Greece.

The board's film "The Kinsman" was re-edited during the year and was extensively used by the United Kingdom Ministry of Information.

PACIFIC COAST

The continued shortage of shipping caused a further reduction in the Pacific Coast wheat business during 1941-42. Only 2,980,175 bushels were unloaded at Pacific Coast terminals and 3,855,474 bushels were shipped. The latter figure compares with 4,056,218 bushels in 1940-41. The board's sales of wheat at the Pacific coast during the year amounted to 4,066,123-30 bushels.

CHURCHILL

There was no movement into or out of Churchill during 1941-42, the elevator remaining full of wheat.

OPERATING AND FINANCIAL SUMMARY

During the year under review the board had an open, or unsold, position for three crop seasons, and since August 1, 1942, another season has been added, making four crop years in operation at one time. The following tables show the position of the 1941, 1940 and 1939 crop years as at the date of the balance sheet, and in addition there is a table showing the operations of the special account authorized under order in council P.C. 1803 of March 9, 1942. Elsewhere in the report is a statement of the operations of the Flax Division—1941 crop account, being the operations authorized under order in council P.C. 1800 of March 9, 1942, previously commented upon. As the board did not handle Ontario wheat in the 1941 crop year, there is no operating statement shown in respect of the Eastern Division.

The CHAIRMAN: I think, Mr. McIvor, we will stop there at the present time. That pretty well completes the general statement that you would give, in any event. From there the committee might be agreeable to hearing Mr. Findlay. May I ask if the members have in mind any particular information or sets of figures which they would like to follow up and which Mr. Findlay could prepare and give to the committee. If they could suggest their questions now, or if they have not got them ready now but could make them ready later in the day and would let me have them, I would see that Mr. Findlay got them, so that he could get any information of that character.

Mr. DOUGLAS: Would Mr. Findlay have anything with him—I am not sure of the term—in connection with the proceeds from seed wheat and coarse grains that have been exported under these export permits? I understand there was a fund set up.

Mr. WRIGHT: The equalization fund, you mean.

Mr. DOUGLAS: Yes. The equalization fund, I understand it was called. Probably Mr. Findlay could give us some information on that while he is here.

The CHAIRMAN: I do not suppose there is anything completed with respect to that from which you could give a statement as to the figures.

Mr. FINDLAY: No.

The CHAIRMAN: I think the policy pursued is probably what you have in mind, Mr. Douglas.

Mr. DOUGLAS: Yes.

The CHAIRMAN: That will be given by Mr. McIvor.

Mr. McIVOR: I will deal with that.

Mr. ROSS: Mr. McIvor will be able to give us all the details in connection with that policy this year.

Mr. McIVOR: Yes.

The CHAIRMAN: He will try to put them before this committee and deal with them in a regular manner, and get all the information the committee desires. So that I say if there is anything in the way of a general composite picture or if there is any particular set of figures members would like to have from Mr. Findlay, if they would so indicate, he would have an opportunity this afternoon to prepare them.

Mr. PERLEY: I think we will have to have a statement from Mr. Findlay. He will review these accounts, I would judge.

The CHAIRMAN: Yes. I thought there might be some particular breakdown or set of figures that members of the committee might like to have. Would the committee be agreeable to meeting to-morrow?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Will someone move that the committee adjourn?

Mr. McNEVIN: I will.

Mr. DOUGLAS: I think that as Mr. Findlay is here, we should try to get on.

The CHAIRMAN: Then we will adjourn to meet at the call of the chair, with the understanding that we will try to arrange a meeting to-morrow.

The committee adjourned at 1 o'clock p.m., to meet again at the call of the chair.

ov. Do
Can
Com
A

CA1
XC12
-A48

SESSION 1943
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, JUNE 3, 1943

Reference

REPORT OF CANADIAN WHEAT BOARD
FOR CROP YEAR 1941-1942

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board.

Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



MINUTES OF PROCEEDINGS

THURSDAY, June 3, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Cardiff, Clark, Cloutier, Dechene, Diefenbaker, Donnelly, Douglas (*Weyburn*), Dubois, Evans, Fair, Furniss, Golding, Henderson, Lalonde, Leclerc, Leger, MacDiarmid, McCuaig, McNevin (*Victoria, Ont.*), Perley, Rheaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Senn, Soper, Tustin, Ward, Weir, Whitman, Wright.

In attendance: Mr. George McIvor, Chairman; Mr. R. C. Findlay, Comptroller; and Mr. Clive B. Davidson, Statistician, all of the Canadian Wheat Board.

Minutes of the previous meeting held on Tuesday, June 1, were read and adopted as amended by adding to the list of members present the names of Mr. Diefenbaker and Mr. Whitman.

The Committee proceeded to the further consideration of the Report of the Canadian Wheat Board for the crop year 1941-42.

Mr. McIvor and Mr. Findlay resumed the witness stand.

At the request of Mr. Perley, the Chairman of the Board agreed to table for the Committee the latest agreements made between the Board and the different Grain firms and companies operating in the interior, and also those with the exporters, the brokers and the terminal elevators.

At 12.00 o'clock noon the Committee adjourned to meet again at the call of the Chair, the early adjournment being arranged to give members of the Committee an opportunity of hearing the address of Dr. Eduard Benes, President of the republic of Czechoslovakia.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 3, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock, a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Now, gentlemen, at our last meeting we had Mr. McIvor before the committee, and Mr. McIvor read the report as far as page 12, which was for the most part a general statement by Mr. McIvor. Would the committee be prepared now to call Mr. Findlay to proceed to deal with the various accounts in the report? Mr. McIvor will remain with us to discuss all matters that arise with which Mr. Findlay cannot deal, and he will come before the committee again at a later date. However, it would be convenient all around if Mr. Findlay could be brought on to deal with these detailed matters so as to leave him free to return to the Winnipeg office at the earliest possible date.

Mr. PERLEY: May I suggest that Mr. McIvor reviewed what one might term the preamble to the accounts at our last meeting, and I presume he is going to be available to the committee at a later date. I was going to ask that certain documents be tabled, and I was going to ask one or two questions with respect to this preliminary statement made by Mr. McIvor. Maybe he could answer my questions to-day. I was going to ask that agreements be tabled if that will be in order at the present time. I would not take very long in putting a few questions to Mr. McIvor covering what he reviewed at our last meeting, because they might involve some questions which might be asked of Mr. Findlay later.

The CHAIRMAN: Personally, I have no objection. I understood at the last meeting that we would have a general statement from McIvor and then proceed with Mr. Findlay's evidence so as to allow him to give explanations and to give detailed information with respect to various accounts that are set up in the report.

Mr. McNEVIN: That was the understanding. Mr. Findlay's explanation of these accounts might very easily eliminate some of those questions that might be asked, and I think we would make greater progress if we went through Mr. Findlay's statement, then Mr. McIvor will be available for any further questioning.

Mr. PERLEY: There are certain matters with respect to Mr. McIvor's statement upon which I should like to ask two or three questions before we proceed with Mr. Findlay. I was going to ask that the agreements that have been made with the different grain companies and grain firms operating in the interior and also the exporters be tabled, and also any agreements that they have with brokers, and also the list of brokers that was used last year be tabled. Would there be any objection to tabling those documents? I would like to get the agreements up to date which they have with the grain companies, with the exporters, the terminal elevators and the brokers.

The CHAIRMAN: Would you set out what you want?

Mr. PERLEY: I want that.

The CHAIRMAN: I think it is necessary to put it before the committee in the form of a motion.

Mr. PERLEY: I want the agreements tabled up to date.

The CHAIRMAN: Make a motion to that effect.

Mr. PERLEY: I want any agreements that they have with the grain firms. I move that the board table the latest existing agreements which they have with all the export firms, or grain firms operating interior elevators or terminal elevators.

Mr. McIVOR: We have no agreements with export firms. If Mr. Perley has reference to the agreements we have with the elevator companies handling grain we shall be glad to table them.

Mr. PERLEY: Have you any agreements with export firms, some of whom are also operating terminal elevators?

Mr. McIVOR: The only agreements we have with any export firms who are operating elevators are the regular printed annual agreements which will be tabled.

Mr. PERLEY: You have only the one agreement?

Mr. McIVOR: Yes.

Mr. PERLEY: Have you no agreements with brokers?

Mr. McIVOR: No.

Mr. WHITMAN: That agreement will be tabled.

Mr. PERLEY: Also, I should like a list of the firms with whom they have made those agreements, the stock agreements; it is made with all of them—I should like a list of the firms with whom you have those agreements.

Mr. McIVOR: Yes, we will get that for you.

Mr. PERLEY: Now, Mr. Chairman, I do not know whether it comes under Mr. McIVOR's branch, but they have leases with elevators—government elevators have been leased to private grain firms or grain firms—

Mr. McIVOR: That is under the Board of Grain Commissioners.

Mr. PERLEY: It comes under the Department of Trade and Commerce, of course?

Mr. McIVOR: The Board of Grain Commissioners, as you know, report to the Department of Trade and Commerce.

Mr. PERLEY: Then may I ask this: after those leases have been made by the Board of Grain Commissioners to the grain firms what part do you play in carrying out those leases with respect to grain?

Mr. McIVOR: We have nothing to do with it; that is a lease between the Board of Grain Commissioners and, I presume, you are referring particularly to—

Mr. PERLEY: The Alberta Pacific Grain Company; have they not leased the terminals at Vancouver?

Mr. McIVOR: I think they have a terminal leased from the Harbour Commissioners in Vancouver. We have nothing to do with that.

Mr. PERLEY: The agreement you have with the Alberta Pacific Grain Company—

Mr. McIVOR: The agreement with the Alberta Pacific Grain Company has nothing to do with the lease.

Mr. PERLEY: No, but the grain is handled under the elevator's lease.

Mr. McIVOR: Grain carried in those elevators is carried at the regular Vancouver rates of storage, a sixtieth of a cent per bushel a day as arranged under the terms of the Board of Grain Commissioners.

Mr. GOLDING: We can get this information any time.

Mr. DIEFENBAKER: I understand that Mr. McIvor will be available and that any questions we have to ask him will be asked after Mr. Findlay has completed his evidence?

The CHAIRMAN: I might say that Mr. McIvor will be available for the committee until he is discharged by the committee.

Mr. DIEFENBAKER: That is very satisfactory. I have a number of questions I desire to ask.

The CHAIRMAN: Mr. McIvor or some other official of the board.

Mr. DIEFENBAKER: Oh, no, I want Mr. McIvor, Mr. Chairman.

The CHAIRMAN: It is understood that Mr. McIvor will be here.

Mr. McIVOR: I shall be here until the committee releases me.

Mr. PERLEY: We are releasing Mr. McIvor for the moment and he will come back to all this later.

The CHAIRMAN: Quite. He is simply standing down. We will now ask Mr. Findlay to come forward.

R. C. FINDLAY, recalled.

The CHAIRMAN: Mr. Findlay is the comptroller of the Canadian Wheat Board and is the man who is as familiar as anyone with the set-up of the various accounts and the details with respect thereto. I do not know how the committee wish to proceed, but I was going to suggest that we might take up each account as it is set out in the report and ask Mr. Findlay to give us a general statement as to what it is, and then if there are any questions in the minds of any of the members as to any detail they might be asked then. We could then proceed to the next statement and so on until we get through the whole report. Now, we are on page 12 and the heading we are dealing with is "Western Division 1941 Crop".

By the Chairman:

Q. Now, Mr. Findlay, could you tell us in a word what that statement there sets out. We could proceed in the same manner with respect to the other statements?—A. Mr. Chairman and gentlemen, as the statement indicates from the heading this is a statement of the grain we took in for the handling of the 1941 wheat crop, and it gives the details of the different classifications of wheat, making up the total handlings as shown by the operating statement.

Q. Does that mean that you handled in that year 99,541,198 bushels?—A. Yes, that is correct, Mr. Chairman.

By Mr. Senn:

Q. This statement is entitled "Western Division"; is there no wheat delivered from the eastern division?—A. There are no operations in the eastern division this year. We maintain the title because of the fact that these two divisions may again come into our accounts.

By Mr. Whitman:

Q. The footnote refers to 38,000,000 odd bushels; that is in addition to the 99,000,000 bushels, is it?—A. That is part of it.

The CHAIRMAN: That is wheat taken in.

By Mr. Whitman:

Q. That is what was paid for?—A. No, that small figure, 38,016,158 bushels, that was not paid for at the date of the balance sheet; that was paid for as it was delivered in a deliverable position at the terminal elevators or mills, as the case may be.

Q. Is it contracted for or had the wheat board accepted that?—A. The agents of the board have bought it from the producers for our account, but we do not pay for it until it is actually delivered.

Q. That is included in the 99,000,000?—A. Yes.

By Mr. Evans:

Q. What were the total deliveries of wheat for the crop year 1941-42 in western Canada?

Mr. McIVOR: 227·9 million bushels.

Mr. EVANS: The difference between what the board handled and the total deliveries must be handled by the private companies?

Mr. McIVOR: That is right.

Mr. DOUGLAS: What percentage is that for the year, roughly?

Mr. McIVOR: The total figure is 227·9 million bushels of which the board handled 99,500,000 bushels.

Mr. DOUGLAS: About 45 per cent.

Mr. McIVOR: Yes, roughly.

Mr. DOUGLAS: That is below the average, is it not?

The WITNESS: The previous year it was much heavier because the board price and the market price were very close throughout the year.

The CHAIRMAN: Can we proceed with page 13?

The WITNESS: The first table you see at the top of the page shows the ultimate disposition of the wheat which we handled for that crop year; it shows the bushelage shipped to the head of the lakes, to Vancouver, the interior terminals and the mills, the quantity sold at country elevators, and the balance in store in the country as of the date of the balance sheet.

Mr. PERLEY: Was all that wheat shipped to the mills ground in Canada into flour and sold in Canada?

The WITNESS: We have no control of it, of course, after we sell it; but I imagine it is almost exclusively ground in Canada.

By Mr. Donnelly:

Q. What was sold at the country elevators? Who bought it?—A. The mills and the producers.

Q. At the country elevators?—A. Yes. It is shipped from the country elevators direct to the mills.

By Mr. Perley:

Q. What do you mean by producers?—A. The producers buy some wheat, feed and seed—both.

By Mr. Diefenbaker:

Q. There was some question some months ago with regard to certain sales, rejected sales to Mexico; would that be the 1941 crop?—A. No; that might be from either crop.

Q. What was the amount of that? Will you tell the committee the situation with regard to that wheat sold to Mexico and subsequently cancelled in part?

Mr. McIVOR: I believe that transaction was in the fall of 1942.

Mr. DIEFENBAKER: What wheat did that represent?

Mr. McIVOR: In all there was about—

Mr. DIEFENBAKER: I am interested because there were so many stories told about that wheat. The matter has never been dealt with except casually in the house.

Mr. McIVOR: In all there were about three-quarters of a million bushels.

Mr. DIEFENBAKER: Which was sold?

Mr. McIVOR: Yes.

Mr. DIEFENBAKER: What was the amount that was negotiated for?

Mr. McIVOR: The original amount contemplated was about 2,000,000 bushels.

Mr. DIEFENBAKER: Not 12,000,000?

Mr. McIVOR: No; 2,000,000.

Mr. DIEFENBAKER: What was the hold-up?

Mr. McIVOR: I presume it was the Inter-State Commerce Commission or the Office of Transportation which passed an order that prohibited the movements of grain across the country from one country to another country. They felt that the movement of this grain would use up railway cars which should be used more efficiently in other respects, and that limited the quantity they could move.

Mr. DIEFENBAKER: But for that order would you have a fairly good field there for export?

Mr. McIVOR: Well, all I could say is that we could at least have worked the 2,000,000 bushels.

Mr. DIEFENBAKER: Did you make any representations to the United States government with regard to the order, or to the Inter-State Commerce Commission?

Mr. McIVOR: No.

Mr. DIEFENBAKER: There were no representations made asking for the revocation of that order?

Mr. McIVOR: I did not make any.

Mr. DIEFENBAKER: As far as the board is concerned?

Mr. McIVOR: Yes.

Mr. DIEFENBAKER: And was the transaction with the Mexican interests made with the board directly?

Mr. McIVOR: Yes.

By Mr. Evans:

Q. With regard to that 3,866,000 odd bushels, was part of that sold back to the producers for feed, or was the feed wheat included in that?—A. Part of it, undoubtedly, was sold for feed and part of it for seed.

By Mr. Wright:

Q. It was sold for feed or seed to the producers; what was the price charged? How much was the price over the market price? Was that the same price charged to the mills when they bought from the country elevators? Did they pay the same price as the producers?—A. Yes, generally speaking, they did; $1\frac{1}{2}$ cents in the case of the mills.

By Mr. Perley:

Q. On page 11 under the heading "Sales to the United Kingdom" concerning 120,000,000 bushels—the minister brought that matter up in the house—could you tell us what other large sales were made during that year? The board evidently only sold 55,000,000, so that in the case of a great deal of that 120,000,000 bushels another sale would have to be made by exporters and that did not go through the board's hands at all, did it?—A. Well, there were two sales in that particular year. If you will hold your question for a moment until we get to the next statement I think you may get part of your answer there.

By Mr. Senn:

Q. Is this the 1941 crop which was undoubtedly held over from the preceding crop year; none of these figures have anything to do with the hold over, do they?—A. No, but you will get this statement further on in the report.

Mr. SENN: All right, thank you. Then, I see there is a note there at the bottom of page 13 that gives some additional information on it.

The CHAIRMAN: Proceed, Mr. Findlay, please.

The WITNESS: The next item shows the deliveries by producers to the board, as reported by the board's agents; net sales, and unsold stocks held by the board at the end of each month. And then there are two footnotes underneath which show you the disposition of the big sales made in November and May of that particular year; and that footnote also shows the allocation of those sales over the various crop years.

By Mr. Donnelly:

Q. What proportion do you allocate to each crop year? There must be some main basis for it, say the sales are a million or ten million bushels; how do you allocate such sales to the several crop years involved?—A. They are allocated on the basis of the unsold position of each of the crops. That is the basis for allocation.

Q. You mean, you take the proportion of what is left out of each crop year?—A. Yes.

Q. Well then, you do not allocate it to one crop until that crop is cleared up and then start on the next?—A. No. You will find later on in this report that we are still selling wheat from the 1939 crop.

By Mr. Douglas:

Q. That is not a matter of government policy, that is a matter of board policy; but to a layman it would look like good business to clear up 1939, then 1940, and have it completely disposed of rather than cleaning up a little out of each crop year.—A. That is a difficult question to ask me because that involves a matter of board policy. I will be glad to give my opinion if I had to decide what should be done: you would have to consider the rights of the various participants to deliveries in a crop year.

The CHAIRMAN: And of the participation certificates.

The WITNESS: Well, you have to try to play the game with all of them.

By Mr. Douglas:

Q. Is it not true that you cannot make any adjustments to the producers until all of the wheat is sold for any one crop year?—A. That is right.

Q. So you are not paying any of them on it until you sell the whole crop out of each crop year?—A. You take in the case of the 1939 crop, there will be sales made from time to time from the inception of that crop year. At the time these sales were allocated nobody knew whether there was any possibility of paying anything on participation certificates or not. It is one of the most difficult questions the board have to decide. The board have to decide what is the fair and equitable thing to do with regard to any of the participants who have delivered with respect to each of the crop years.

Mr. FAIR: Is the amount of wheat in storage, that now moving into use, sufficient to take care of the actual shrinkage up to the date of sale, and—

The CHAIRMAN: I wonder, Mr. Fair, if we could leave that type of question until we are discussing the elevator agreements; that would be involved in them.

Mr. McIVOR: Yes.

The CHAIRMAN: Would that be all right?

Mr. FAIR: Yes, Mr. Chairman, I could take it up then.

By Mr. Perley:

Q. Mr. Findlay, the footnote here says that there are sales of 120,000,000 bushels of futures, but I notice that you only take 99,000,000 bushels of cash wheat, the actual wheat; would you just tell the committee how that deal was completed and what operation there was there?—A. I think I just pretty well dealt with that in the section on sales; and if the board sell 120,000,000 bushels of wheat during any one crop year that does not necessarily mean that that is a complete sale out of the current crop year; it has to be made from and delivered from all of the stocks of all the years open.

Q. You sold futures here; now, how are you going to allocate futures to the cash wheat—delivery I suppose is at Fort William on United Kingdom account?

—A. I do not understand your question, Mr. Perley.

Q. Delivery—when you sell futures you have to fulfil that contract and deliver the wheat to Fort William, do you not; where else would you receive that wheat and take delivery of it?—A. Delivery might not necessarily be made at Fort William, it might be made anywhere—it might be made at the west coast.

Q. But the futures contract has to be Fort William?—A. Yes, if you actually deliver your wheat through the clearing house.

Q. So that any of these deliveries through the clearing house must have been made under that contract; where is the authority for holding?—A. The authority is in buying wheat from the exporters.

Q. And you deal with exports under contract with the British government. It is expected when you sell the United Kingdom board wheat.—A. Not all of the board wheat is sold on futures; and I did not say deliveries—these two items—

Q. Does the United Kingdom have a representative in the pit buying futures?—A. No, they bought the futures from the board.

Q. They bought the futures from the board?—A. Yes.

Q. Where did the board get the wheat to deliver on the futures?—A. If you wait until we get through the statements you will find that we have listed the stocks on wheat.

Mr. PERLEY: I can wait.

The CHAIRMAN: Any further questions on that statement?

Mr. PERLEY: That is not cleared up.

The CHAIRMAN: We will proceed to the next one.

Mr. DIEFENBAKER: There is just one question there—

The CHAIRMAN: Would you speak a little louder please, Mr. Diefenbaker?

Mr. DIEFENBAKER: Yes, I will try to. There is just one question there which is a matter of interest to all participants, and it is this: Last year I asked a question in regard to the possibility of payments being made on participation certificates on the 1939-1940 crop, and the answer then given by Mr. McIvor was that at the present time, at the then present market prices, that there was no such possibility; now, having regard to the prices that have been received under the sales during the year, what are the prospects of holders of participation certificates of the 1940-1941 crop receiving any extra amount?—A. Mr. Diefenbaker, that is a question naturally that as an accountant I would rather not answer; but I think that is a fair question.

Q. Yes.—A. I think there is a prospect of the 1940-1941 crop showing a surplus. And now, that is subject to conditions, and to the crop as a whole being finally disposed of.

Q. That is very interesting; what about the 1941-1942 crop?—A. I think the same thing applies.

Q. That would be most favourably received by the farmers all over western Canada, if they could have the reasonable assurance from you.—A. If it is such a reasonable assurance, it is contingent upon what is going to happen in the future, and I would like to make that quite clear.

Q. I appreciate that. Having regard to your statement that there is a prospect of a payment being made on the participation certificates, can you give us any intimation at the present time, having in mind the present realizable prices and the like, what would be the amount that might be expected to be received on the 1940-1941 crop?—A. I could not give you that.

Q. Is it substantial; will you go this far, that it is a substantial amount that they can look forward to receiving on the basis of present prices?

Mr. WHITMAN: Is that not a rather embarrassing question?

Mr. DIEFENBAKER: It is embarrassing for the farmers not to know it.

Mr. WHITMAN: It might be embarrassing to the wheat board to make such a statement.

Mr. DONNELLY: It would all depend on the ultimate disposition of the wheat for that crop year. If the war were won this summer, and the price of wheat were to go up a lot, and if we could sell all of our wheat—if these three intangibles could be adequately decided—you would make an adequate profit on your operations with respect to the profit year involved. Unless and until those three intangibles are decided I do not see how anyone could possibly attempt to predict what the participation benefit would be.

Mr. DIEFENBAKER: I am not asking for that, I am merely asking on the basis of present prices.

Mr. WHITMAN: And you are putting him on the spot there.

Mr. DIEFENBAKER: No, I am not.

Mr. WHITMAN: I do not think he could answer that.

The CHAIRMAN: I do not know what the view of the committee is in respect to this, but I think the members should be satisfied with having the statement presented in the order in which it develops. I suggest that we let Mr. Findlay proceed, and that we do not anticipate too much what is coming before us later in the report.

Mr. DIEFENBAKER: I am merely referring to what Mr. McIvor said in his statement last year. On page 29 of the report of our proceedings for 1942 he said:

“There is just one question that was asked by Mr. Diefenbaker respecting the possibility of payments on the participation certificates on the 1939 and 1940 crops; the answer is, it is quite apparent from the figures given in the annual reports for 1939-1940 and 1940-1941 that if all the wheat of these crops could be sold at the present market price there would be no payments possible on the 1939-1940 crops.”

Now all I am asking you is, not on the basis of future contingencies, but on the basis of the present market prices, could you give any intimation at all whether there would be a substantial amount for the farmers to look forward to by way of payment on participation certificates; not on the basis of the future or any other contingencies.

Mr. ROSS (*Souris*): You mean, if it were possible to clear it all up at the prices which prevail today.

Mr. DIEFENBAKER: Yes.

Mr. McIVOR: Frankly I do not know what the payments would be, we will say, on the basis of present markets.

Mr. DIEFENBAKER: That was your answer last year.

Mr. McIVOR: Yes. Well, you say on the basis of the present market; but there are several other things to consider—how long we have got to carry this wheat before we can sell it; and I think the only answer I could make would have to depend on the factors to which Mr. Donnelly referred, and any answer I might make might be very much misunderstood; therefore, I do not think that that is a question that I can answer.

Mr. DIEFENBAKER: Last year you did not have any difficulty answering, and I use your own words: "If all the wheat of these crops could be sold at the present market prices".

Mr. McIVOR: I did not have any difficulty in answering last year because it was perfectly clear that if all the wheat could be sold at the then current market price there would be no payment. Now you are asking me a question: if all the wheat could be sold at the market price to-day what would the amount of the payment be?

Mr. DIEFENBAKER: No, I asked you if you could tell us substantially what it would be.

Mr. McIVOR: Well, I do not know.

Mr. PERLEY: What do you indicate on exhibit one at the bottom—surplus in the operations of the wheat board—

Mr. WHITMAN: What page is that?

Mr. PERLEY: That is exhibit one, and I think it would be pages 26-27.

The CHAIRMAN: Will you excuse me; could we proceed.

Mr. PERLEY: I was just going to jump—

The CHAIRMAN: Back again.

Mr. PERLEY: No.

Mr. DIEFENBAKER: It follows naturally.

Mr. PERLEY: It follows naturally from the question Mr. Diefenbaker asked; there is a surplus on that crop.

Mr. WHITMAN: What do you mean by substantial; what size of payment do you contemplate would be made per bushel per farmer, say?

Mr. DIEFENBAKER: Yes, per bushel; naturally.

Mr. WHITMAN: What would you consider substantial per bushel?

Mr. DIEFENBAKER: On that basis of the hopes of the last two years and the realizations, I think five cents per bushel would be considered substantial.

Mr. WHITMAN: You would consider that a substantial payment?

Mr. DIEFENBAKER: Yes. And here (liability side, exhibit one) it shows, "Surplus from the operations of the wheat board on 1941 crop account, western division for the year ending the 31st of July, 1942, \$4,809,054.50;". Now, what do you mean by that surplus Mr. Findlay?

The WITNESS: That naturally means the surplus arising if all the crop had been sold at that time at the current market price.

Mr. DIEFENBAKER: I see, that is at the current market price?

The WITNESS: Yes, as of the date of the balance sheet. I think that is a repetition.

Mr. PERLEY: That is, you say that definitely; one would not infer that from this statement here.

Mr. DIEFENBAKER: You could follow that up—let us get one thing clear: so as of the date of the balance sheet, which apparently is the 31st of July, 1942, if the crop had been sold at that time there would have been a surplus for distribution of \$4,809,000?

The WITNESS: That is correct.

By Mr. Diefenbaker:

Q. And that represents the amount you have already disposed of?—

A. That represents that 99,541,000 at sales or market prices.

Q. What is your answer; how many bushels would that represent?—

A. You mean, were involved in that surplus?

Q. Yes.—A. 99,541,000.

Mr. DIEFENBAKER: That works out to about five cents per bushel.

Mr. ROSS (*Souris*): But that is only an estimate, that is not actual; that crop is not all disposed of.

The WITNESS: It is the actual position as closely as we can figure it after taking in all the expenses that are going to be incurred in looking after the balance of that crop.

Mr. SENN: You are valuing the wheat on hand at the current price.

The WITNESS: Yes; and, of course, that figure is subject to carrying charges from that date forward.

Mr. DIEFENBAKER: But the prices have increased since then.

The WITNESS: If the price increases in excess of the carrying charges, your position will improve.

Mr. PERLEY: Then, Mr. Findlay, after you put in the valuation on the 49,000,000, is it not?

Mr. ROSS (*Souris*): No.

Mr. PERLEY: Just go back to exhibit three where we got that statement from.

The WITNESS: You refer to the 49,500,000?

Mr. PERLEY: The 49,500,000, yes.

The WITNESS: Yes.

By Mr. Douglas:

Q. Before you leave that may I ask you something: In computing any payments are the crop accounts for each year kept separate, and if in the crop year 1939 you have a loss, that is not carried over into any computations affecting the crop in the 1940 or 1941 year?—A. That is one question, Mr. Douglas, I am very glad to answer, because I want to make it abundantly clear: each individual crop year is kept entirely separate in every respect. There is no question of any deficit in 1939 affecting either one of the other two crop years.

Mr. DOUGLAS: That is what I wanted to have cleared up. If you had a loss in 1939 it would have been simply written off by the board, or by the government to the board.

The WITNESS: Yes.

Mr. DOUGLAS: Any surplus that comes in subsequent years—

The WITNESS: That goes as surplus to the crop year concerned.

By Mr. Diefenbaker:

Q. Would you give me the figures as to what the surplus position was in respect to the 1940 and 1941 crop?—A. On the 1940-1941 crop—you will find that shown as \$1,364,026.48.

Q. What page is that on?—A. That is on exhibit one also, on the assets side.

Q. Oh, yes. So that as far as the 1940-1941 crop was concerned, as of the 31st of July, 1942, there would be no prospects of any payment on participation certificates?—A. No, that is right.

Mr. DOUGLAS: Mr. Chairman, I submit that we are coming to this; I do not see why we should go away back here and start going over these exhibits now.

The CHAIRMAN: That is what I had hoped to avoid.

Mr. DOUGLAS: I think we should consider this report as we go along, section by section; I do not see why we should have to go over everything again.

The CHAIRMAN: May we then proceed by turning back to page 14 which deals with the month-end liability of the board to banks and agents of the board.

Mr. DONNELLY: Oh, I see; in these statements you deal in detail with the items which appear later in your consolidated balance sheet, exhibit one, and the following exhibits?

The CHAIRMAN: Are there any further questions on the statement on page 13?

Mr. GOLDING: Let us take the next page.

By Mr. Fair:

Q. Does this deal with the 1939 crop entirely?—A. No, not entirely.

Q. Has the 1938 crop been cleared up?—A. The 1938 crop was definitely cleared up last year.

The CHAIRMAN: And now, page 14: this is the series of statements which have to do with the banking arrangements.

The WITNESS: This statement and the following similar statements for each of the crop years, I think might be dealt with in one explanation.

The CHAIRMAN: Yes, if you would.

By Mr. Perley:

Q. What interest are you paying to the banks now?—A. 3 per cent.

Q. Since when?—A. That has been in effect since 1938; before that it was $3\frac{1}{2}$ per cent.

Q. What interest do you allow the elevator companies for expenses they make?—A. You mean with respect to carrying charges?

Q. Yes.—A. $4\frac{1}{2}$ per cent.

Q. What do they pay the bank, do you know that?—A. That is a question I would rather answer off the record, and I will be glad to do it that way. We arranged with the banks on behalf of the elevator companies to reduce the current interest which I think ranged from 5 per cent to $5\frac{1}{2}$ per cent, and perhaps even higher, and we got it cut down to $4\frac{1}{2}$ per cent, and we tried to get it cut down to $3\frac{1}{2}$ per cent, but we have not been able to obtain the money. The risk that the bank takes is naturally greater on wheat carried in the country. You can all realize that with the experience of the last few years with mites and that kind of thing.

By Mr. Donnelly:

Q. Are you having as much trouble with mites and things of that kind?—A. No. Some of the companies are having quite a bit of trouble.

The CHAIRMAN: Could we have Mr. Findlay give an explanation with respect to this statement?

By Mr. Perley:

Q. You would advise anyone who has participation certificates for the 1941 crop to hang on to them?—A. Yes, quite.

By Mr. Evans:

Q. Did you pay the same rate of interest on the wheat in country elevator storage as you did on terminal storage?—A. The same rate of interest?

Q. Yes.—A. No, we pay 3 per cent to the bank on our demand loans, and in the country, as I explained to Mr. Perley, we pay $4\frac{1}{2}$ per cent to the country elevator companies and in turn they borrow from the banks.

The CHAIRMAN: Are there any further questions to be asked about pages 14 and 15, with regard to the banking arrangement? If not, we will proceed to page 15. Will you give the committee a general review of this statement?

The WITNESS: Yes, I shall be glad to. The first statement merely represents the continuation of the 1938 crop and shows the operations as applied to the crop year 1941-42, giving the sales by months and the unsold position. The second statement refers to the liabilities of the board to the banks and agents.

By Mr. Perley:

Q. Why is the liability to the agents practically nil?—A. That is because the balance on the crop year has been delivered and paid for by the board as we accepted delivery at the delivery points and paid the agents for it.

By Mr. Rickard:

Q. You are talking about the wheat crop of 1938. What shrinkage is there in wheat if it is carried for that long a period?—A. The only shrinkage there is, as far as the board is concerned, is a very small quantity which is lost in transit, and that only affects the board when we ship from one terminal to another or from the interior to the terminals after we have taken delivery of the wheat.

Q. Is there not shrinkage in the wheat? In eastern Canada, if we keep our grain in a granary, we find that it shrinks the wheat—A. I know. I can appreciate that in the case of Ontario wheat, but it does not apply, except to a very small extent, with regard to western wheat. I am speaking so far as the board is concerned. The terminal elevators, undoubtedly, have some shrinkage in their annual weigh-ups, but it is a very trifling quantity in comparison with the large volume handled.

Q. Do they allow for that when they take the wheat in?—A. Yes, there is a half of 1 per cent invisible dockage allowed.

The CHAIRMAN: In addition to that, the elevator company has to deliver the amount of wheat taken in.

The WITNESS: Yes.

Mr. RICKARD: I wanted that point explained, because it is contrary to the ideas we hold in the east.

The CHAIRMAN: There is little danger of any loss in that regard as far as the handling of grain from the country elevators is concerned.

The WITNESS: If we have a warehouse receipt from any terminal elevator for a million bushels it is required to deliver to us one million bushels.

Mr. RICKARD: That applies to all kinds of wheat that you grow?

The WITNESS: Yes.

The CHAIRMAN: May we proceed with the next statement on page 17?

Mr. PERLEY: The statement shows the balance in the last column of 244,000,000 bushels odd. How does that compare with the figure on the first page of this report, the last two or three lines of the second paragraph, which states, "the carry-over at July 31, 1942, being 424,000,000 bushels."

The CHAIRMAN: I hesitate to interrupt the proceedings, but our reporters are having a difficult time hearing what is going on. There is too much confusion. I suggest that each member speak distinctly so that the statements can be taken down correctly.

By Mr. Perley:

Q. I was asking Mr. Findlay to explain the difference between the total on page 17 which is 244,000,000 bushels odd and the figure on the first page of this report in the last two or three lines of the second paragraph. There is a little difference there; could you explain that?—A. Well, one explanation is the wheat carry-over in Canada and the other is the board's unsold position. There is no contact between the two at all.

Q. This is purely board wheat on page 17, is it?—A. Yes, it is board wheat.

Q. Wheat held by the board?—A. Wheat held by the board and unsold as of the date of the balance sheet.

By Mr. Wright:

Q. Is that 283,000,000 bushels the amount of the 1940-41 crop that the board still hold?—A. Which statement are you looking at?

Q. I am looking at page 18 at December?—A. The 1st of December, 283,000,000; that is the combined crop. This is a combined statement showing the three crops which have been dealt with individually in the previous cases. It is for convenience.

Mr. McNEVIN: This is a summary of 1939, 1940 and 1941.

By Mr. Rickard:

Q. Does the board hold any wheat after it is exported?—A. I think you mean do we ship any wheat unsold—we do not.

Q. You do not ship it over there unsold?—A. No.

The CHAIRMAN: This statement on page 17 is really a consolidation of the crop years 1939, 1940 and 1941.

The WITNESS: Correct.

Mr. PERLEY: It shows the total balance held by the board at that time of all three crops.

The WITNESS: Yes.

The CHAIRMAN: Are there any further questions on this statement?

Mr. DOUGLAS: Could we get a break-down of exhibit 6 with regard to interest on bank charges \$2,699,000?

Mr. DONNELLY: We can get that when we come to the exhibits. I move that the committee adjourn.

The CHAIRMAN: Before we adjourn may I say that we have now finished with page 17 and we are prepared to start at page 18 at our next meeting.

The committee adjourned to meet at the call of the chair.

SESSION 1943
HOUSE OF COMMONS

STANDING COMMITTEE
ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

FRIDAY, JUNE 4, 1943
TUESDAY, JUNE 8, 1943

Reference
REPORT OF CANADIAN WHEAT BOARD
FOR CROP YEAR 1941-1942

WITNESSES

Mr. George McIvor, Chairman of the Canadian Wheat Board.

Mr. Clive B. Davidson, Statistician of the Canadian Wheat Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



MINUTES OF PROCEEDINGS

FRIDAY, June 4, 1943.

The Standing Committee on Agriculture and Colonization was called by regular notice to meet at 4.00 p.m. this day.

At 4.20 p.m. the following members were present: Messrs. Bertrand (*Prescott*), Dechene, Donnelly, Evans, Gardiner, Golding, Henderson, Leger, Perley, Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Weir.—13.

As this did not constitute a quorum, the Chairman adjourned the Committee until Tuesday, June 8, at 11.00 a.m.

TUESDAY, June 8, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Blair, Cruickshank, Dechene, Diefenbaker, Donnelly, Douglas (*Weyburn*), Dubois, Evans, Fair, Fontaine, Golding, Gregory, Henderson, Laflamme, Lafontaine, Leader, Leger, MacDiarmid, McCuaig, McCubbin, McNevin, (*Victoria, Ont.*), Matthews, Mullins, Nielsen (Mrs.), Perley, Rheame, Ross (*Souris*), Ross (*Middlesex East*), Senn, Soper, Weir, Whitman and Wright.—33.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce; also Mr. George McIvor, Chairman, and Mr. Clive B. Davidson, Statistician of the Canadian Wheat Board.

The minutes of the meetings held on Thursday, June 3 and Friday, June 4, were read and adopted.

Hon. Mr. MacKinnon addressed the Committee on the policy of the Government in regard to the wheat quotas of men in the armed forces of Canada. He also filed a copy of the instructions of the Canadian Wheat Board to all companies in regard to over-deliveries of wheat by farmers entering military service,—Bulletin No. 138.

Discussion took place.

Mr. Fair then moved, seconded by Mr. Ross (*Souris*);

That the Committee recommend in its report to the House that the same policy in effect in connection with the marketing of the surplus of the 1942 wheat crop of men in the armed forces be effective for the 1943-44 crop year.

Carried in the affirmative.

The Committee proceeded to the further consideration of the Report of the Canadian Wheat Board for the crop year 1941-42.

Mr. George McIvor, Chairman, and Mr. Clive B. Davidson, Statistician of the Board were recalled to the witness stand and their examination continued.

Mr. McIvor filed copies of agreements for the handling of wheat and flax between the elevator companies, the producers' organization, the United Grain Growers, and the Canadian Wheat Board.

The Committee then adjourned to meet again this day at 4.00 p.m.

AFTERNOON SESSION

The Committee resumed at 4.00 p.m.

Members present: Messrs. Blair, Cloutier, Donnelly, Douglas (*Weyburn*), Evans, Fair, Gregory, Henderson, Lafontaine, Leger, MacDiarmid, McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Mullins, Perley, Rennie, Ross (*Souris*), Ross (*Middlesex East*), Soper, Tustin, Weir, Whitman and Wright.—24.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce.

The Committee resumed consideration of the Report of the Canadian Wheat Board for the crop year 1941-42.

Mr. George McIvor, Chairman of the Canadian Wheat Board and Mr. Clive B. Davidson, Statistician, were recalled and further examined.

The Committee adjourned at 5.45 p.m. until to-morrow, Wednesday, June 9, at 4.00 p.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 8, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Gentlemen, I do not know what the committee wish to undertake, or the procedure it may wish to follow. Has any member of the committee any suggestions to make along that line? Personally I had thought, having regard to an observation that was made at one of our meetings, concerning a request for the tabling of certain agreements that the wheat board had entered into, that that might be done; and then, there are a couple of recommendations out of last year's report with respect to street sales; and in the elevator agreement, about the size of cars recognized as a carload lot. Then there are such matters as the distribution of cars for the delivery of grain and the storage position generally, and the movement of grain from the elevators or elsewhere. Then in particular there is this cleaning fee that is now in operation in respect to sales of coarse grain. Are there any other items that the members of this committee might wish to have considered or questions that might be reviewed with Mr. McIvor?

Mr. DIEFENBAKER: Mr. Chairman, if I might, there is just one question I would like to have brought up, and that is the right of the men who are called up and enlist in the armed services to have disposition of their wheat over and above the quota. As I understand it, the rule at the present time is this, that the man called up during the year 1942 is allowed now to have disposition of his wheat over and above the quota but, that a man who was called up in 1940 or 1941 and whose farm has continued in operation is not given that right.

The CHAIRMAN: I think that is a fair question.

Mr. DIEFENBAKER: I think that is a matter that might very well be discussed. There are quite a number who are affected by it, and who find themselves in a position that is not favourable to recruiting in the district in which they live.

Mr. GOLDING: Are they recruiting these fellows who are on the farms?

Mr. WHITMAN: You mean, the ones who are called up?

Mr. DIEFENBAKER: Yes, the ones who are called up.

Mr. GOLDING: Do you mean the fellows who live on the farm, who own them?

The CHAIRMAN: Regardless of that feature of it, I think perhaps the board should state their policy frankly.

GEORGE McIVOR, called.

The WITNESS: I wonder, Mr. Chairman, if I might speak of that now, if it is satisfactory?

The CHAIRMAN: Is that the wish of the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Has anyone else a question they would like to have brought into the discussion here?

Mr. WRIGHT: I would like to bring up the matter of the disposal of flax at some time.

The CHAIRMAN: Very well.

Mr. ROSS (*Souris*): I would like an explanation some time of the durum wheat situation, if possible.

The CHAIRMAN: Very well.

Mr. SENN: Then there is this question of the relationship of this board with the Wartime Prices and Trade Board which is mentioned on page 10 of the first part of the report. I would like to have an explanation as to how the prices were set.

Mr. PERLEY: Mr. Chairman, might I suggest that we take this report which Mr. McIvor went over the other day. I do not know whether all of the points which have just been raised are here or not, but it is quite possible that reference to them is in the preamble of this report, before you come to the financial statement. I would suggest that if we go over this report as we did the other day then we could deal with these matters one by one as they are reached.

The CHAIRMAN: That suggestion is a reasonable one; but Mr. Perley, I thought Mr. McIvor had made a preliminary statement that was quite complete.

Mr. PERLEY: But there was no questioning on it.

The CHAIRMAN: I know that, but I thought it was fairly complete, and I thought that members of the committee would wish to ask questions with respect to those features of it.

Mr. PERLEY: You see, Mr. Senn just asked a question with respect to the relation between the board and the Wartime Prices and Trade Board, and that is mentioned on the first page, and also on page 10 I think. I would suggest that Mr. McIvor answer the question put by Mr. Diefenbaker and then we can take this report in an orderly manner starting with the things which are mentioned first on page 1.

The CHAIRMAN: Could you deal with the question asked by Mr. Diefenbaker, Mr. McIvor?

The WITNESS: I shall be glad to; you mean, with regard to the soldiers' wheat, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS: Well, Mr. Diefenbaker, with respect to the soldiers' wheat the government put in certain restrictive measures based on the idea that you mentioned.

Mr. DONNELLY: Would you mind speaking a little louder please?

The WITNESS: Yes, I will try. But a man who had left the farm previous to these dates probably had been able to make arrangements for the farm to go on.

Mr. DIEFENBAKER: What is the date, please?

The WITNESS: The date is April 1, 1942; but we have recommended to the government that they take the widest possible view on that question, and I am quite sure that any case that has merit will be given careful consideration.

Mr. DIEFENBAKER: In other words, you mean this; while the date at present is April, 1942, men who were called up and who enlisted since that date will be given an opportunity to dispose of their wheat over and above the quota?

The WITNESS: Yes. I should say in fairness to the government also that in the discussion we had with them they wanted the board to take the widest possible view so I think you will find no cases—

Mr. DIEFENBAKER: I think that is most commendable. I had a letter the other day in regard to this particular matter and I communicated with the minister and at that time he indicated that consideration would be given.

The WITNESS: I saw that file, and it is going to Winnipeg to be dealt with; and I am quite sure that every case that has merit will be carefully considered.

Mr. DIEFENBAKER: So it can be generally taken as a fact now that whatever the rule has been, from now on with respect to the men who are called up and who are to-day in the service they will be able to dispose of their wheat over and above the quota.

The WITNESS: Yes.

Mr. GOLDING: Have you any very great quantity of that sort of wheat?

The WITNESS: No, the total amount as I recall it was only around some 485,000 bushels.

Mr. GOLDING: And how many persons were involved in that?

The WITNESS: Off hand I would say about a thousand; pardon me, I am informed that it is about 700 cases.

Mr. LEGER: How many of these men have been called up?

The WITNESS: The figure I have is 500 approved out of a total of about 700.

Mr. GOLDING: You say you have dealt with 500 cases already?

Mr. DIEFENBAKER: Does it mean that there are 215 that do not come within the provision of the regulations as they stand at the present time?

The WITNESS: No, I think there are only fifty cases, and they are all being reconsidered.

Mr. Ross (*Souris*): Does that apply to last year's crop, or does it apply to this year's crop as well? Suppose a man had planted a crop this year and had been called up, does that still apply?

The WITNESS: The policy only applies to this present crop. I do not know what will be done with reference to next year's crop.

Mr. WRIGHT: Does that include the wheat of the soldiers in the army? Supposing that a soldier had enlisted and his land was left in such a way that his share of the crop was one-third; does that man with that third that belongs to him still get delivery?

The WITNESS: Yes.

Mr. DIEFENBAKER: Very good.

The WITNESS: May I go back to Mr. Wright's question: that is the very case that is involved in most of these cases—the soldier leaves the farm and he has a balance of wheat to be delivered.

Mr. WRIGHT: Will that just apply for last year?

The WITNESS: That is the present crop year?

Mr. FAIR: The Minister of Trade and Commerce is here and this comes under his department; therefore, I suggest that this committee should make a recommendation to him that this policy should be carried on for the 1943-44 crop; and I would move that such a recommendation be made for the men who are going over there so they should not have the worry of the disposal of their crops.

The WITNESS: I think, Mr. Chairman, that I ought to say that we were dealing with rather practical problems for the moment. I do not want to speak on behalf of the government, my impression is that the view of the government was that it would be carried into another year, although that had not actually been done. However, Mr. MacKinnon can probably answer that question.

Hon. Mr. MACKINNON: Mr. Chairman, this matter of soldiers' grain that cannot be delivered under existing quotas has been before the government at different times and we have discussed the matter with the Canadian Wheat Board, as Mr. McIvor has just said, and actually it was suggested to the board

that the widest possible consideration be placed on these regulations; and in the course of our conversation we asked the board if they could give us a statement of how much of this wheat we might have to take in, viewing this position very generously, and the item given us was possibly upwards of 1,000,000 bushels. That was agreed to by the government.

Mr. DIEFENBAKER: When was that agreed to? I have a letter dated May 20, 1943, which states the government policy in respect to this matter; it says, the board regrets that it is unable to act on your application—

Hon. Mr. MACKINNON: It was within the last—very recently.

Mr. DIEFENBAKER: I see, I brought it up in the latter part of May and the policy had not been changed then.

Hon. Mr. MACKINNON: It was agreed to just about that time; at the present time, as Mr. McIvor has said, only 485,000 bushel increase have been taken; and I think the understanding construction that has been given to this matter by the wheat board so far has not involved more than about 50,000 bushels; therefore, we will be well within the figure that was set. I cannot say what the policy will be for another year but we will certainly—I think I am safe in saying—be very sympathetic to a continuation of the plan that has been in operation.

Mr. FAIR: I move that the same policy covering the sale of wheat in excess of this quota in effect in 1942 be carried into effect in 1943-1944.

Mr. ROSS (*Souris*): I would be glad to second Mr. Fair's motion. I think that is rather important because a farmer who has been called up is in rather a dilemma in a way as to what the future may be.

Mr. CRUICKSHANK: Do you mean the man who has enlisted voluntarily, or the man who has been called; it is the same is it not?

Mr. ROSS (*Souris*): No, because the farmers who have been called under the Act, as I understand it—and I have been corresponding with several in my district in respect to this matter—they are called and allowed exemption for six months at a time only—

Mr. CRUICKSHANK: You mean, postponement.

Mr. ROSS (*Souris*): Yes, I should have said postponement rather than exemption. Their postponements are for six months at a time. That puts the farmer in a very peculiar situation; and I think that as Mr. Fair has pointed out he is a chap who should have some ease of mind on this question. That is why I feel that this exception should be extended for their benefit to this crop year as well. I think that is the very least this committee could do for these chaps who find themselves in that unfortunate position.

The CHAIRMAN: Are you ready for the question?

Mr. EVANS: About all that a committee such as this can do after hearing the evidence is to make a recommendation; is that what you had in mind when putting the motion now, Mr. Chairman?

The CHAIRMAN: Apparently Mr. Fair wants to have it dealt with now. I was just going to explain that whatever we do we cannot go beyond making a recommendation, and that would be followed by its inclusion in a report by this committee to the house. That is all we as a committee would be able to do.

Mr. DONNELLY: With regard to this motion by Mr. Fair I would just like to put myself on record that I want it understood that I am ready and willing at all times to do anything I possibly can for any man in the army, a man who is actually a soldier; but as to a man called up and given postponement, a man who isn't actually in the army, I do not think any exception should be made in his case any more than in that of anybody else.

Mr. ROSS (*Souris*): I mean a man who is called away, who is called on service.

Mr. DONNELLY: I am in favour of giving such privileges to a man who has been called; but one who has been given exemption, or postponement, is not in the same class; he is not in the army at all.

Mr. FAIR: I do not think it is either necessary or desirable that a member should set up a straw man and knock him down just for the purpose of getting his name on the record. I made my statement quite clear, that I referred to men called up for active service.

Mr. DONNELLY: You said, men called.

Mr. ROSS (*Souris*): I am the one who started this; let me explain it. I said I would include the men who have responded but who are putting in their crops. I know several cases where men are not putting in their crops this year because they do not know what position they will find themselves in at the end of their six months' postponement. I think it is only fair that there should be some statement of policy on the part of the government in respect to this matter. If the position were known and these men got their crop in it would be of real advantage to the country at large. I want to say too that like Dr. Donnelly I am opposed to giving any privileges to anyone who is not called for service actually as a soldier. I think Mr. Fair intends that also.

The CHAIRMAN: Of course, we should have the motion written out. I do not know what the clerk has down here. May we have the clerk read the motion as he has it.

The clerk reads motion as follows:—

Mr. Fair, seconded by Mr. Ross, moved that the committee recommend that the same contract be carried on for the crop year of 1942 and 1943 and be embodied in this committee's report to the house.

Mr. FAIR: I think there has been something omitted. It should read "the same policy with reference to soldiers."

Mr. DOUGLAS (*Weyburn*): Men in the armed forces.

Mr. FAIR: In the services. I do not know just what the wording should be. What I mean is that the same policy as is in effect at the present time with respect to soldiers should be continued.

The CHAIRMAN: Would the committee like to have a further word from Mr. McIvor on the actual working out of the system as it is being applied now?

Mr. WHITMAN: Yes.

The WITNESS: Mr. Chairman, a man that is merely called and is not in the army or in the armed forces does not get this privilege at the present time. He must give, in his declaration, his regiment, his regimental number and so on. There is no difference made between a drafted or enlisted man.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, may I point out to Mr. McIvor that there is a difference depending on when he enlisted. There is a case about which I wrote to the minister, and which he promised to give favourable consideration to. A man enlisted in the air force prior to the cut-off date; I do not know the exact date at the moment, but it was prior to the cut-off date. He rented his farm. He has 1,000 bushels of wheat as his share; the quota only allows him to deliver 360. The balance of the wheat is lying outside. If he were at home, he would be in a position to feed it, dispose of it in some way or another, or store it. His wife is not in that position. It seems to me that one of the things this committee ought to recommend, if it is going to recommend anything, is that all of the men who are in the armed services and who find themselves in this position where they have surplus grain, ought to be

allowed to dispose of it because of the fact that they are not there to look after it, rather than to make any sharply defined cut-off date. I think that the same policy should apply with reference to this year's crop. The man who enlisted, while he did not have to go, he felt it was his duty to go, and he ought not to be penalized for that; and the other man, in view of the fact that he was compelled to go at a certain time, ought to be given some consideration with reference to this grain that now accrues but which he is not able to look after.

The WITNESS: In answer to Mr. Douglas' question, may I say this. I do not know whether you were here, Mr. Douglas, when I explained, and when Mr. MacKinnon did also, that the government wishes to take the widest possible view with regard to these cases.

Mr. DOUGLAS (*Weyburn*): I understand that.

The WITNESS: To emphasize the view that we have taken, we have had 700 cases; 485,000 bushels have been permitted by way of over-delivery and there is only 51,000 bushels in suspense on account of date of enlistment. So we have tried to take the broadest possible view, and we will continue to do so; that is the wish of the government. I think the case you referred to will be dealt with.

Hon. Mr. MACKINNON: Yes.

By Mr. Douglas (Weyburn):

Q. Do I understand that there are only 51,000 bushels from men in the service which have not been delivered, or do you mean men in the service who have made application?—A. I say that of the total quantity under application, 485,000 bushels have been disposed of and delivered, and only 51,000 bushels remain in suspense of the applications we have had so far.

Hon. Mr. MACKINNON: Similar to the one you wrote about.

Mr. DOUGLAS (*Weyburn*): In view of the cut-off date, there may be many men who have made no application because they know there is this cut-off date.

The CHAIRMAN: What is the wish of the committee with respect to the motion?

Mr. McNEVIN: I do not think the committee will gain any advantage from picking out little matters from time to time and making individual recommendations about them. I think we should go on and make our report, and include any items dealt with in our report.

The CHAIRMAN: There is a motion before the committee which has to be disposed of. Is there any further discussion?

Mr. McNEVIN: I move in amendment that this matter be held in abeyance until the final report of the committee.

The CHAIRMAN: Mr. Fair has brought down his motion as he wants to have it worded, and I will ask the clerk to read it.

The clerk reads motion as follows:—

It is moved by Mr. Fair, seconded by Mr. Ross of Souris, that the committee recommend in its report to the house that the same policy in effect in connection with the marketing of the 1942 wheat crop of soldiers in the armed forces be effective for the 1942-43 crop.

Mr. FAIR: The 1943-44 crop.

The CHAIRMAN: Yes, the 1943-44 crop. Is there any further discussion?

Mr. PERLEY: That is just to be put in the report; so it cannot come before the government until we report, according to that.

The CLERK: That takes care of Mr. McNevin's amendment. He wanted it embodied in the report of the committee.

Mr. McNEVIN: Held in abeyance.

Mr. GOLDING: What is the use of this motion at all?

The CHAIRMAN: Well, it is a direction to the committee when they draft their report, if it carries here, to include a recommendation of that kind in it.

Mr. ROSS (*Souris*): Sure.

Mr. GOLDING: But you already have this proposal in effect, according to Mr. McIvor.

Mr. DOUGLAS (*Weyburn*): For last year's crop.

The CHAIRMAN: For last year's crop.

Mr. GOLDING: What I mean is that you do not need to tell the government now what policy to adopt. They have already adopted that policy.

Mr. DOUGLAS (*Weyburn*): No; that is for last year's crop. This is a recommendation that it be continued to next year's crop.

Mr. GOLDING: Do you think they will abandon that?

The CHAIRMAN: What is the pleasure of the committee? I will ask the clerk to read the motion again, so that you will know exactly what is before the committee.

The clerk reads motion as follows:—

Moved by Mr. Fair, seconded by Mr. Ross of *Souris*, that the committee recommend in its report to the house that the same policy in effect in connection with the marketing of the surplus of the 1942 wheat crop of soldiers in the armed forces be effective for the 1943-44 crop year.

By Mr. Diefenbaker:

Q. There is one question I should like to ask possibly from Mr. McIvor. That policy is now in effect; but up to the 20th of May it was not in effect. When was it brought in? What was the date of it? The minister has mentioned it covered altogether only 700 cases, a total of 485,000 bushels, and only 51,000 bushels are now under consideration. Up to the 20th of May that policy was not in effect for the soldiers who enlisted prior to April 1, 1942, who had crops and were unable to sell over the quota. The question I want to ask is when was that change made? What was the date? I have any amount of correspondence up to that date about it.—A. Well, it was just within recent days, Mr. Diefenbaker.

Q. Within the last few days?—A. Within the last ten days.

Q. You say it was within the last ten days?—A. Yes.

By Mr. Perley:

Q. You received 485,000 bushels adjustment in that time?—A. There were 700 applications received; there were 501 authorized, with a bushelage of 485,000 bushels. There are 50 being held in abeyance with regard to the question of date. Those are being proceeded with now.

Q. May I ask what time last fall did you have this matter first brought to your attention? I may say I had applications from quite a number; at least, the question was brought up by quite a number early last fall, just soon after harvesting took place. What time was it first brought to your attention, Mr. McIvor?—A. The statement on over-deliveries was put out on the 7th of April, 1943. Here is a copy of it. I would be glad to file it with the committee.

Q. That is the statement. But what time did you have applications or any requests from men in that position to have their extra quota taken?—A. Mr. Davidson, who I might say has been handling this in the office, tells me there were very few up until February.

Q. February?—A. Yes. We got about 50 in the month of February, and this statement was put out on the 7th of April.

Q. I am sure I had cases last November and December. What publicity was given to that effect?—A. The widest.

Q. Prior to February was any publicity given?—A. No.

By Mr. Diefenbaker:

Q. What do you mean by saying that the decision regarding 51,000 bushels has not been determined by reason of the question of date arising? What do you mean by that if the question of date has been entirely removed now?—A. I think I made myself very clear—at least I did to myself, Mr. Diefenbaker, but possibly not to you. I said that there were 51,000 bushels being held up pending decision with regard to date, and that those cases were now being proceeded with to clean them up.

Q. What do you mean by "pending decision as to date"?—A. Well, to go back over what was said—a decision has been made within the last ten days as to the residue; as to what is being done. As to those cases which were being held up—now that decision has been made, these cases are being proceeded with.

Q. That is fine.

Mr. Ross (*Souris*): On that point, may I ask a question. Suppose a man enlisted say two years ago, at the commencement of the war, and he has his farm rented. He is the landlord in this case now. Does this policy cover his share of the crop and can his share all be marketed under this policy?

Mr. WHITMAN: Yes. He said so.

The WITNESS: The answer is yes, Mr. Ross.

By Mr. Donnelly:

Q. You have heard the motion which has just been made. Provided this carries, and you decide to adopt the same policy next year, will the soldiers' delivery be distributed all over the year or will it all come in in one or two months in the early fall?—A. The soldier will, no doubt, try to arrange to have his wheat delivered at the early part of the year; and he will be able to deliver it, subject to storage facilities being available.

Q. He will not have to conform to any quota at all?—A. No.

Q. He can deliver the whole thing?—A. That is correct.

Q. It will not be distributed over the year?—A. No.

The CHAIRMAN: Did you have another question, Mr. Wright?

Mr. WRIGHT: Yes.

By Mr. Wright:

Q. I have a case where a soldier had rented his land, and the tenant on the soldier's farm delivered his full 14 bushels and delivered none of the soldier's wheat in that 14 bushels. Am I to understand now that the soldier can have his share of that crop delivered?—A. Quite correct, Mr. Wright.

The CHAIRMAN: The question has been called. Will you read the motion, Mr. Clerk?

Mr. CRUICKSHANK: Read it again, please.

Mr. DONNELLY: In cases like that, I do not think it is fair at all. I think that the man who is the tenant should be cut down to two-thirds or given a quota of only ten bushels, in cases of the kind referred to. Otherwise you are going to give fourteen bushels to the man who is a tenant and then going to give the soldier his, which will be another ten bushels or more probably.

Mr. PERLEY: That is a case of the tenant gypping the landlord. The tenant delivered the whole quota.

Mr. DONNELLY: That is not fair. You will have everybody doing that.

Mr. GOLDING: Mr. McIvor, can you tell us, or have you any information—

The CHAIRMAN: Order, please, gentlemen.

Mr. ROSS (*Souris*): You cannot get it unless you are in the army. You have got to be a soldier.

Mr. DONNELLY: You do not understand what I say. If I rent land from a soldier, I deliver my fifteen bushels, and the soldier will deliver his extra. The tenant should never deliver more than two-thirds, or ten bushels, and the owner should deliver his five. That is what I am telling you.

Mr. FAIR: It does not affect the tenant.

Mr. DONNELLY: It does affect the tenant. Mr. McIvor just said so. He just said in his answer that the farmer did deliver fourteen bushels and delivered none of the soldier's. Then the soldier could deliver his extra.

The CHAIRMAN: Order, gentlemen. May I say that the man who is taking down what is being said is having some difficulty when the conversation goes to the other end of the table.

Mr. CRUICKSHANK: He did not miss much.

The CHAIRMAN: Order, gentlemen, please. Mr. Davidson, the statistician for the Canadian Wheat Board has been taking care of these particular features of the administration and Mr. McIvor suggests that perhaps he could give us an explanation, if the committee wishes him to do so.

Mr. GOLDING: Just before he does that, I was going to ask Mr. McIvor this question. Have you any information in regard to these 700 cases? Out of approximately 296,000 farmers in the three prairie provinces, you have 700 cases. Have you any information or any details in connection with whether they have been called or whether they enlisted voluntarily, whether they are tenants or whether they are owners?

The WITNESS: Mr. Chairman, we have all the data on each individual case. We do not differentiate between a man that enlists voluntarily and a man that is called.

By Mr. Golding:

Q. No. You have that information?—A. Yes.

Q. What I want to get at is whether these fellows are being actually called off the farm.—A. They have not only been called, but they have gone. They are in the army.

Q. I know. But did they enlist voluntarily or were they called? Out of this 700, how many enlisted?

Mr. ROSS (*Souris*): They are still called today.

Mr. PERLEY: He will give you the explanation of that if you will give him a chance.

The CHAIRMAN: Order, please.

Mr. PERLEY: Give him a chance to answer.

The WITNESS: I should like to say that Mr. Davidson has handled every one of these cases individually; I have not. I know the policy in a general way, but I should very much like it if he were allowed to deal with these particular questions.

Mr. GOLDING: That is all right, as long as we get the information.

The CHAIRMAN: Mr. Davidson, please give us your explanation of this.

Mr. DAVIDSON: Mr. Chairman, I might just make one general statement, and that is that when the original series of applications were received in

Winnipeg—that is before the policy was decided—they were almost entirely from men who had been called up or who had enlisted last fall. That was the original situation we set out to deal with. Then on April 7 when our policy was announced, we got some 300 or 400 applications over one weekend.

Mr. DIEFENBAKER: What was the announcement of policy on April 7, Mr. Davidson?

Mr. DAVIDSON: That is the statement here which Mr. McIvor filed with the committee.

Mr. DIEFENBAKER: Oh, yes.

Mr. DAVIDSON: Which includes the announcement made in the House of Commons by the Minister of Trade and Commerce.

Mr. DIEFENBAKER: All right.

Mr. DAVIDSON: And as those cases came in, we found many different types of situations. In order to speed things up we put through everything that came within the four corners of the original statement made by the minister.

Mr. DIEFENBAKER: That means all cases of enlistment or enrolment prior to April 1, 1942?

Mr. DAVIDSON: That is right. These were disposed of very quickly. Then we took the other cases. I examined them very carefully; and on the basis of our study of the situation, the board requested an enlargement of the government's policy to include those cases. Those are the 50 odd that we are talking about now. We are now going ahead and cleaning them up. In regard to the question raised by Dr. Donnelly and Mr. Golding, in applying to the board for the over-delivery privilege, the soldier files an affidavit, and attached to that affidavit is the contract—if he is a tenant—with the landlord. Our procedure on that is to see that this deal lines up with the contract. Suppose a soldier is a tenant and he has delivered up to 10 bushels an acre; we first of all—assuming a 15-bushel quota as being the maximum for this year—we figure out the tenant's share of the 15-bushel quota. If it is one-third, it will be 5 bushels. That is one authorization that goes out to the soldier. That is the first one. Then we give him a further authorization of one-third, of the balance of the crop. In other words, when the authorization is completed, the tenant has delivered his full share of the crop on the farm, in terms of the contract he has with the landlord. That also prevents the landlord from coming in or benefiting from the arrangement that we are making in respect to the soldier; because the landlord stops at the 15, and we are protecting the soldier on his contract up to the 15 bushels, and then for the balance of the crop, that belongs to him.

The CHAIRMAN: The landlord can deliver up to 15 bushels to the acre.

Mr. PERLEY: Let me cite a case just here. Here is a farm which has a 20-bushel crop. The full quota that can be delivered is 15 bushels.

Mr. DAVIDSON: That is right.

Mr. PERLEY: That is on a basis of one-third.

Mr. DAVIDSON: Yes.

Mr. PERLEY: And in this case the landlord is a soldier. They deliver the 15 bushels. One-third will go to the soldier and the two-thirds will remain with the tenant, on a one-third basis. He is working the farm on a one-third share basis.

Mr. DAVIDSON: The landlord will get two-thirds of the crop, which is the soldier in your case.

Mr. PERLEY: No. The landlord will get one-third of the crop.

The CHAIRMAN: The landlord is the soldier in your case.

Mr. PERLEY: Yes.

The CHAIRMAN: Then the tenant will get two-thirds.

Mr. PERLEY: The landlord will get one third. For instance, the soldier or the tenant delivers his full quota, say, 15 bushels: 10 bushels is his and 5 bushels of it belongs to the soldier; all right, but there are another 5 bushels back—20 bushels to the acre—and do I understand that the soldier can have delivered to him his share of that 5 bushels?

Mr. DAVIDSON: Yes, that is right.

Mr. DIEFENBAKER: How many soldier farmers have you any record of on the basis of the notices you have sent out?

Mr. DAVIDSON: We originally estimated that we would have 1,000. The restricting factor is that the soldier must be a permit holder in 1942, so you eliminate all farmers' sons and so on. The farmer must be operating under a permit.

Mr. DIEFENBAKER: What you have is an estimated 1,000 permit holders?

Mr. DAVIDSON: That is roughly the position.

Mr. DIEFENBAKER: In the armed forces?

Mr. DAVIDSON: It is not going to come up to 1,000.

Mr. DIEFENBAKER: But that is based entirely on the number who actually held permits in 1942?

Mr. DAVIDSON: That is right. That is as far as we could go under the government authorization.

The CHAIRMAN: Is the committee ready for the question?

(Motion carried.)

The CHAIRMAN: Now, Mr. McIvor has some reports here which certain members of the committee asked should be filed at our last meeting. Could we have those reports filed now?

The WITNESS: Mr. Chairman, I have here the agreements which Mr. Perley asked to have filed with the committee, with a list of those who are signatories to the agreements.

The CHAIRMAN: What are these agreements?

The WITNESS: One is the wheat agreement for the handling of wheat; one is the flax agreement for the handling of flax.

Mr. DOUGLAS (*Weyburn*): Between whom?

The WITNESS: Between the elevator companies, including the producers' organization, the United Grain Growers, and the board.

Mr. Chairman, I am also filing here a copy of our instruction 138, covering the handling of soldiers' wheat.

The CHAIRMAN: Now, gentlemen, to follow the suggestion made by Mr. Perley, may we go back to the report which is before us? Is there any further statement with respect to the 1941-1942 wheat programme?

Mr. PERLEY: On page 1 there is reference made to the advisory committee; and I was going to ask Mr. McIvor if he could tell us how often this advisory committee meets.

The CHAIRMAN: That is on page 8.

By Mr. Perley:

Q. It is on page 1 also, but you can go to page 8. How often does this committee meet as a committee and how often does it meet with the wheat

board?—A. The advisory committee, as outlined in the report, during the crop year, had four meetings. They met among themselves and they met with the board.

Q. Were the four meetings held with the board?—A. No, the four meetings were divided, partially with the board and partially among themselves.

Q. Do they make recommendations to the board in respect of policy?—A. Yes.

Q. How often have their recommendations been accepted?—A. Well, the advisory committee's recommendations are usually made to the government through the wheat board. I think I have seen some discussion on this question, Mr. Chairman, in the house. Now, I could not tell you how often.

Q. I am trying to find out if they are of any value?—A. Yes, I appreciate that.

Q. Because the expense is considerable.

The CHAIRMAN: Do the reports or recommendations, or whatever you call them, of the advisory committee go to the government through the wheat board direct?

The WITNESS: They go to the government through the wheat board.

Mr. SENN: Are they considered to be confidential?

The WITNESS: I think they are.

By Mr. Perley:

Q. I was going to ask whether any of these reports should be tabled. Do you take the position that they are confidential?—A. I do not think I am in a position to take a stand either way.

Q. How are we going to find out if they are of any value, if their recommendations have been accepted or considered, or if they have any value at all?

The CHAIRMAN: You do not find that out from any advisory committee, apparently.

Mr. GOLDING: That is not a new policy.

By Mr. Perley:

Q. The chairman of the board might answer the question. Does he himself think they are of very much value today as a board?—A. I think you asked me that question last year.

Q. You evaded it a little last year.—A. Pardon me, did you say I was trying to evade it?

Q. I do not think your answer was very satisfactory. You did not give the committee to understand that they were of any great value.—A. I would like to read you last year's report of what I said about that. I said last year that the advisory committee had performed a very useful service to the board, and you asked me if their advice was good or bad and you asked me further if we always took their advice, and I think my reply was that we tried to take it when it was good. That was what happened last year as I recall it.

Q. I would like to know if they are of any value for the money that they cost in travelling expenses and salaries? You could table that, I suppose—since last year's report?

Mr. WHITMAN: Would you advocate doing away with them?

Mr. PERLEY: I was talking with some of them myself and they cannot see that they are of any value—at least three of them I spoke to.

Mr. LEGER: Is there any leakage from the advisory committee?

The WITNESS: I did not suspect there was any up till now, but somebody has been telling Mr. Perley that they are not of any value on the advisory committee. It seems to me there is some leakage.

Mr. PERLEY: I think if you call some of the members they will give you that evidence.

The WITNESS: They have not told me that.

Mr. MATTHEWS: How many members are there on the advisory committee?

The WITNESS: Eleven.

Mr. WRIGHT: On whose recommendation were they appointed?

The WITNESS: The government appointed them.

By Mr. Wright:

Q. They were not appointed by the producers themselves?—A. I do not know on whose recommendation they were appointed; the appointments were made by the government. The majority of the members of the committee are representatives of the producers.

Q. If they were appointed by the producers the producers would of necessity have the right to know what their recommendations were; but if they were appointed by the government why, then, the producers might not have the right to demand to know what their recommendations were—there is a difference?

—A. I do not see how they could be appointed by the producers, Mr. Wright. They must of necessity be appointed by the government under the Act—under the Canadian Wheat Board Act.

By Mr. Perley:

Q. The producers could make a recommendation that they be represented on the board?—A. I believe they did. For example, there is Mr. Wesson, president of the Saskatchewan Pool Elevators, Mr. Brown of the United Grain Growers, Mr. Hutchinson, the former president of the Alberta Pool Elevators, who is the chairman; and there is also Mr. McCowan who, I understand, is a farmer.

Q. I know him very well. He is a good farmer—I will say that for him.—A. Then there is a Mr. Farnalls of the Alberta Association of Municipalities.

Mr. ROSS (*Souris*): He is president of the prairie municipalities body.

The WITNESS: From Ontario there is Mr. Pettapiece from Auld, Ontario. Some of you may know him.

By Mr. Evans:

Q. I suppose the producers' organization recommend some of the members of the advisory committee and technically the government makes the appointments, is that right?—A. As I recall the matter, when the Canadian Wheat Board Act was changed the advisory committee was set up composed of eleven members, of whom six were to represent the producers, and the appointments were made, presumably, on the status of the men who were available for the committee.

Mr. DOUGLAS (*Weyburn*): Mr. McIvor cannot answer that question. All he can say is that these men are producers, but he cannot say whether they represent the producers or whether they were recommended by the producers. Only the minister can answer that question. Mr. McIvor is chairman of the board, and the appointment of this committee is the responsibility of the government.

Mr. EVANS: The minister made that announcement in the house.

Mr. DOUGLAS (*Weyburn*): Why ask the chairman that question?

By Mr. Senn:

Q. Mr. McIvor, do you consider that the members of the advisory committee are in duty bound to secrecy about their recommendations and their deliberations?—A. Mr. Senn, I do not feel I am competent to answer that question. The

advisory committee's reports are sent to the minister. Mr. Chairman, I think the answer is outside of my province.

Q. I do not desire to embarrass you.—A. Frankly, I do not feel competent to answer that question.

Q. That would be a question worthy of consideration.

The CHAIRMAN: I presume these reports are governmental reports and go to the minister, and it is for the government to determine what they wish to do about this matter.

Mr. WRIGHT: My reason for raising this question was that if the municipal association appointed Mr. Farnalls as their representative on that board and if the wheat pool appointed Mr. Wesson as their representative on that board, those people would have a right to know what recommendations were made; if, on the other hand, the government appointed those men, of course they would be responsible to the people who appointed them.

Mr. DOUGLAS (*Weyburn*): Of course the government is responsible. These men may be recommended by somebody.

Mr. ROSS (*Souris*): I do not believe that we should question Mr. McIvor on this matter. I know most of the members of this advisory committee personally and they are a pretty able group of men. I agree with what Mr. Wright has said, but further than that I am satisfied that they were not nominated by the organizations whom they represent; they were chosen, I believe, by the government because of those organizations which they represent, but they were not nominated by the organizations.

Mr. GOLDING: Do you know that?

Mr. ROSS (*Souris*): I know it in some cases, although I do not know about them all. I do know that a couple of those men were appointed by the government, anyway. I think it is a matter of government policy and the proper person to question is the minister. I think we are wasting our time asking Mr. McIvor this question.

The CHAIRMAN: The point that is being discussed is set out in the Act, as I recall it—the provision for the manner in which the advisory board shall be set up—and I think it is the same in every case for this type of organization.

Mr. PERLEY: They certainly were not all recommended by the organizations which they represent.

Mr. WRIGHT: In asking these questions I am not casting any reflection on the men on this board.

The CHAIRMAN: Could we proceed with the next clause?

Mr. PERLEY: Would Mr. McIvor table the remuneration received during the last year—the year that this advisory committee report covers—and the expenses of each person?

The WITNESS: I think it is in the report, Mr. Perley, but I am not quite sure. When Mr. Findlay comes back he will have a record of that. I certainly haven't any objections to giving the information.

The CHAIRMAN: Ask Mr. Findlay that question when he returns.

The WITNESS: Mr. Findlay will be here to-morrow and will deal with the accounts and he will be able to answer any questions dealing with accounts much better than I could.

Mr. FAIR: Before we pass on may I refer to the paragraph dealing with the advisory committee on page 8 and in particular the last three lines of that paragraph: "Among other important matters referred to the advisory committee were farm storage, car allotment, basis of delivery quotas and the domestic price of wheat". I wonder if Mr. McIvor could tell us what the advisory committee's reports or recommendations were in connection with farm storage?

The CHAIRMAN: I think the point to consider is what policy was followed, and not with respect to what the advisory committee is doing about it. That is one of the points I mentioned when the committee commenced this morning: a statement of policy with respect to items of such a character.

Mr. FAIR: I wanted to know what the advisory committee did about farm storage.

The CHAIRMAN: I doubt if even Mr. McIvor is competent to advise with regard to that matter.

Mr. DOUGLAS (*Weyburn*): May I ask a question with regard to page 4?

The CHAIRMAN: We are trying to carry through in a sequence. Could we proceed with the wheat marketing programme for 1941-42 on page 1. Shall that carry?

(Carried.)

"The development of the 1941 wheat crop"; shall that carry?

(Carried.)

"Growing conditions"; shall that carry?

(Carried.)

"Marketing and prices"; shall that carry?

Mr. DOUGLAS (*Weyburn*): I should like to direct your attention to the top of page 4 from which I read: "Of total marketings of 227.9 million bushels in the west during the crop year 1941-42, producers delivered 100 million bushels to the board, or about 44 per cent of their marketings." Is that considerably below the average percentage of the crop usually delivered to the board? Have you any figures for each of the crop years?

The WITNESS: I haven't, Mr. Douglas. The percentage was high in 1940-41 and I do not know how this year's turned out.

Mr. PERLEY: Would it not be considerably higher than this year?

The WITNESS: We will know that better when we come to the end of the year.

Mr. DONNELLY: I suppose that is governed almost entirely by the price you are paying on the open market, is it not?

Mr. DOUGLAS (*Weyburn*): Then the amount of wheat sent in was comparatively small, the wheat delivered in 1941-1942; and I take it that that is a reflection of the open market price, that it remained more staple than the board price; I mean the board price plus farm storage.

The CHAIRMAN: Order, gentlemen, please.

Mr. DOUGLAS (*Weyburn*): Or, the cash closing prices on the market. Am I right in assuming that the tendency is for the producer to sell on the open market when the price is rising and to sell to the board when the market is low?

The WITNESS: My answer to that is that the tendency is for the producer to sell on the open market when the open market prices are higher than the board price; not slightly higher, but perhaps 4 cents or 5 cents or 6 cents a bushel higher.

Mr. DOUGLAS (*Weyburn*): And the inference would be there that the tendency would be to sell wheat to the board when the market is slipping?

The WITNESS: Yes. In 1938 the board price was 80 and the market price was substantially lower and we got all the wheat.

Mr. DOUGLAS (*Weyburn*): I think the tendency is for the shippers to make use of the board more and more on a falling market.

The WITNESS: Well, at the same prices.

Mr. DONNELLY: Are you getting much wheat at the present time?

The WITNESS: No.

By Mr. Perley:

Q. Is not that evidence then that the nearer we get to the crop year futures are quite high, and the cash wheat position is in July now, and that is when they sell in the open market rather than to the board; then in the latter part of the year, the last weeks of the season the delivery price and the price of cash wheat are nearly the same, and the open market is not going to advance prices—A. I am sorry, I cannot follow you, Mr. Perley.

Q. Well, I mean to say that I did that myself last fall. The cash price on the open market was so near the board price that I took a chance and delivered to the board. Now, the other day—I made sales since you were here—I made them in the open market because the price was 7 cents or more higher than the board price—I took a chance on the participation certificate.—A. That is the answer.

Q. The prices have a tendency to drop before the end of the crop year.—A. I do not know that it has anything to do with the crop year. I would say that when the open market price is higher than the board price the farmer delivers to the open market, whether at the end of the year, at the beginning of the year, or any time during the year. It is merely a question of price.

Mr. DONNELLY: Wheat is now a dollar a bushel, is it not?

The WITNESS: Yes, I think so.

Mr. PERLEY: You have not delivered any wheat yet on this next year's crop.

The WITNESS: But we have been selling from this year's crop.

The CHAIRMAN: Could we not proceed with the next item?

Mr. DOUGLAS (*Weyburn*): That looks like an almost impossible proposition from the commercial viewpoint that anybody, whether governmental or private, would get nothing but that part of the business offering what the open market price is below the board price; what possible hope would there be of anyone operating successfully speaking of the financial position?

The WITNESS: We all know, of course, that the board is a voluntary board. The farmer does not have to deliver to the board. When he has a crop to sell he is a shrewd business man and he bases his deliveries of wheat on a comparison of the open market price and the board price, and if the open market price is higher he delivers to the open market while if the prices are in line, or practically in line, he delivers to the board.

Mr. DOUGLAS (*Weyburn*): What hope is there then that the board can possibly operate on a successful financial basis, supposing you only get wheat under those conditions?

Mr. DONNELLY: That depends on the selling done by the board.

The WITNESS: I think the whole question of the success of the board is whether they can sell their wheat at a sufficiently high price so they can make some return to the farmer.

Mr. DOUGLAS (*Weyburn*): The actual position of the board is that of becoming increasingly the medium for taking the surplus wheat off the market whenever the prices tend to drop.

Mr. PERLEY: Yes.

The WITNESS: I think that has been the position of the board ever since 1935. Perhaps you will remember a discussion when Mr. Perley in 1935 was vice-chairman of that committee; the real problem at that time was whether it

was to be a voluntary or compulsory board, and finally your committee agreed that a voluntary board was to be preferred and it has been a voluntary board ever since.

Mr. PERLEY: They did not agree to that with my consent, but they did agree.

The WITNESS: Of course, I do not know anything about what went on in the committee when they were considering their recommendations.

Mr. PERLEY: I think Mr. Douglas has got a point there, that when they saw the board price was better than the market they delivered to the board and the board carried the load. And now, the nearer you get to the crop year—they sold wheat last year and took it off the market when they sold it for future delivery—when you sell it you later transfer the option and naturally the board is just carrying the load.

The CHAIRMAN: Of course, if the open market price had been higher last fall, deliveries would have been substantial to the open market as compared with deliveries to the board. I do not see that the time of the year makes any difference, I think it is a question of the actual conditions existing at the time; and that does not detract at all from the question that you asked Mr. Douglas; it is just a matter of government policy with respect for the operation of the board.

Mr. DOUGLAS (*Weyburn*): The table is put in here by the board, it is in their report on page 4, and it shows conclusively my contention that the board had been following a policy of taking wheat off the speculative market when it is falling—

Mr. McNEVIN: I think when the wheat board was set up its main function was that of protecting the farmer at a time of abnormally bad markets; to protect the interests of the farmer when the price of wheat falls below a certain point. When the market is buoyant and prices are higher, the farmer has the privilege then, that he should have, of selling his wheat where, when and how he likes.

Mr. FAIR: I think this whole system is rotten to the core. I am not saying that the wheat board is rotten to the core; but the company system in Winnipeg, and to my mind that destroys the effectiveness of the board.

Mr. HENDERSON: I would like to say just a word there: had it not been for the grain exchange at Winnipeg the farmers would not have known when there was any increase in price and they would not have known when to deliver in the open market and when to deliver to the board . . .

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, to mention the point raised by my friend, Mr. Henderson, I want to say that I am afraid of that sort of thing—our argument is that the Winnipeg Grain Exchange should be closed and this wheat all sold to the wheat board.

Mr. HENDERSON: Just the minute you did that you would not know anything about these changes in price.

Mr. DOUGLAS (*Weyburn*): Oh yes, we would. Wheat sold to the board would be sold in the world market.

Mr. HENDERSON: Then what would happen if you sold it to markets such as Chicago and Minneapolis?

Mr. DOUGLAS (*Weyburn*): Of course, we could not go to Chicago and Minneapolis—but whatever the world price is, whatever they get for their wheat would be reflected in the returns to the participants—

Mr. McNEVIN: We had very considerable discussion on that matter in this committee last year, and also in other years and as I recall the disposition of the matter, the large purchasers of Canadian wheat which are the British buyers

definitely expressed a desire to have the grain exchange remain open. I do not think we would gain any very great advantage by having a rehearing of that this year.

Mr. FAIR: I would like to add my word to what Mr. Douglas has said—

The CHAIRMAN: Would you speak a little louder, please?

Mr. FAIR: I said, I want to add my word to what Mr. Douglas has said and I want to say again, that in my opinion the wheat board is the only sound system of selling our wheat, and we should not under any circumstances have the grain exchange operating because it does not in any way reflect the true value of wheat. I want to make my stand perfectly clear, I am entirely in favour of the wheat board handling all our wheat.

The CHAIRMAN: The committee had a discussion on that subject last year. Have we not had enough discussion on that? Can we take the next item?

Mr. PERLEY: No, Mr. Chairman, there are a few questions I would like to ask: last year the statement was made that the request for considering the open market came from Britain, is that not right?

The WITNESS: That is quite true.

Mr. PERLEY: And now, if they cut off the open market in Winnipeg and deal through you on the basis of present prices, I would like you to explain why they would not want that when Chicago prices are \$1.21, and, just before you get on your feet, Mr. McIvor, here is a statement published by the Department of Trade and Commerce, a monthly review which shows the disposition of offers at Saint John and St. Lawrence points: for instance, in this month—I think it is February, or January—it was \$1.11 and \$1.12; now, could you just explain to me and maybe to the committee what we are to take from that report—you have this, no doubt?

The WITNESS: No, I have not.

Mr. PERLEY: This was put out as a monthly report by the Department of Trade and Commerce, a monthly wheat statement.

The WITNESS: Mr. Chairman, I think we went through most of this last year, but I haven't any objection to going over it again.

Mr. PERLEY: This is in relation to the present.

The WITNESS: I would like to see it, if you don't mind, Mr. Perley. The whole question of the manner in which the British bought their wheat was gone over and over and over before this committee last year. You asked me exactly the same thing last year, as I recall it. Now, these prices are prices at Saint John and Halifax, delivered on board the steamer. You have got to add the cost of getting it down there. You made reference to the Chicago market. I think there is a little misunderstanding about what the Chicago market means to the country. I think you made the statement that the Chicago market price was \$1.21:

By Mr. Perley:

Q. That is net to the farmer.—A. Then that would be about \$1.45.

Q. Yes, \$1.45 or \$1.46.—A. First of all I would like to say that the amount of wheat that all countries are allowed to ship into the United States commercially, as a commercial product, is limited to 800,000 bushels.

Q. Is it 800,000 bushels?—A. 800,000 bushels each year, and 795,000 of that applies to Canada. And now, what happens is, that each year immediately the crop year in the States ends—that is on the 30th of June—immediately we go into the new crop in July that 795,000 bushels is immediately shipped in and the duty paid on it by the shipper, the market is then closed to this country.

Mr. SENN: That is a quota.

The WITNESS: Yes. Now, I want to make it clear that that refers to milling wheat. There is an arrangement whereby low grades of wheat can be shipped into the United States on payment of a 10 per cent ad valorem duty—those are grades of No. 4 and lower. This was an arrangement originally made by Mr. McFarlane when he went to Washington, I think, in the early part of the 30's, and the Americans needed wheat for feed at that time; but the question was as to how they were going to be able to detect whether the Canadian wheat escaped bond and went into flour, or what control they would have over it, so the first proposal was that they would have it dyed, as they did in France at that time; but they found, and I think Mr. McFarlane put forward this view that No. 4 and lower was marked any way because it was frozen or had some characteristic that only Canadian wheat could have; so agreed that feeding wheat showing these characteristics could go into the United States. I think I should say that there is none of that going in now because our own feed administrator needs it for feeding purposes in Canada.

And now then, to go on to the other question, Mr. Douglas; I think you probably had reference to the American government themselves who are the only people who can import wheat into the United States over the 800,000 bushels.

Mr. DOUGLAS (*Weyburn*): And by the way do they buy on the open market or from your board?

The WITNESS: They bought in the open market through the Commodity Credit Corporation which is a unit functioning under the United States Department of Agriculture. That corporation purchased $7\frac{1}{2}$ million bushels of wheat to be shipped into the United States and it is being imported by the American government and is being used for feed in the New England states; they may, of course, make further purchases, that we do not know.

Mr. PERLEY: Where do they take delivery?

The WITNESS: At Fort William.

Mr. DOUGLAS (*Weyburn*): What grades are they taking?

The WITNESS: No. 2 and 3 northern, and they have an arrangement whereby they will provide the steamers. But in respect to that I want to make this exception, that the first million is being loaded into Canadian vessels as a result of some rearrangement with respect to shipping—I do not know exactly what it was. I do know that the arrangement was that the American vessels were going to carry that wheat into the United States.

Mr. DOUGLAS (*Weyburn*): Have there been any negotiations in respect to those purchases between the wheat board and this corporation to which you refer?

The WITNESS: No, they purchased in the open market.

Mr. DONNELLY: Did they purchase from the board?

The WITNESS: No, they purchased in the open market. I want to just again emphasize that the price of \$1.45 at Chicago is not available to this country for the reason that I mentioned.

Mr. PERLEY: Yes.

Mr. MATTHEWS: Who is buying it at that price?

The WITNESS: The millers in the United States.

Mr. MATTHEWS: They are not exporting it?

The WITNESS: No, they are not exporting it.

Mr. PERLEY: They are not exporting any.

The WITNESS: No, they are not exporting it.

Mr. PERLEY: They are not exporting any.

The WITNESS: They were exporting a little flour under subsidy early in the year, but none to speak of now.

Mr. DOUGLAS (*Weyburn*): And now, would it not have been better if the board had negotiated with this American Credit Corporation rather than have them go to the open market; was anything done along that line?

The WITNESS: Yes, I personally had some discussion with them in Washington and it was their view that they would prefer to purchase this wheat in the open market.

Mr. DOUGLAS (*Weyburn*): Taking into consideration the big price on the Chicago market, and the exchange, which would be to their benefit, and taking into consideration the freight and transportation expenses paid by them; what would be the spread between what they got that wheat for and what it would be worth if they had had to buy it at Chicago?

The WITNESS: I am not sure, Mr. Douglas, as to what the spread would be because I do not know what the comparable grade would be in Chicago. I would say the spread would be somewhere in the neighbourhood—and I want to make it perfectly clear that I am not—

By Mr. Douglas (Weyburn):

Q. You are not just sure about it— —A. I would say it is somewhere around 40 cents a bushel. But I again want to emphasize that in Canada even if the quota were open and we wanted to ship into the United States we would have to pay a 42-cent duty.

Q. The Americans were getting next to the top wheat out of it?—A. I think they were fair, Mr. Douglas. I might say that they are buying considerable quantities of wheat from Australia at very much less than our prices.

Q. What for, feed?—A. For feeding purposes.

Mr. WHITMAN: Is that for feed purposes?

The WITNESS: For feeding purposes.

Mr. DONNELLY: This would be for milling purposes?

The WITNESS: No, feed.

By Mr. Perley:

Q. Can you let us have a breakdown showing the differences in costs between Fort William and Saint John; how much of that difference of 21 cents or 22 cents between Fort William and ports like Saint John—A. Where is the 21 cents and the 22 cents?

Q. Well, the difference between 90 cents and \$1.11 and \$1.12.—A. Where is the 90 cents Fort William? Wheat is not 90 cents in Fort William, wheat is a dollar at Fort William.

Q. Wheat delivered to your board is at a price of 90 cents.—A. I know, but that is not the market.

Q. I know it is not, but taking your board price of 90 cents for wheat and follow this through, when you sell it instead of sending it over— —A. We are operating ourselves on the market in Winnipeg.

Mr. DONNELLY: You are selling at Winnipeg prices.

The WITNESS: You are making a comparison between the board price of 90 cents and the price at seaboard.

By Mr. Perley:

Q. It is the January monthly report and shows that difference between the open market and the 90 cents— —A. I can get you a breakdown on that.

Q. Well, tell me this, how many American firms are exporting Canadian wheat?—A. Last year I think I told you there were Cargill's, who are an American interest but have their own company in Canada.

Q. That is really an American firm, their head office is over there.—A. Yes, the head office is in the United States. Then there is Laval—their head office is New York.

Q. Will you give us a breakdown later then showing the American exporters of Canadian wheat, all of the chief exporters of Canadian wheat; and, what firms are doing the exporting.—A. That is all in this evidence.

Q. I just wanted to make a comparison between last year and this year.—A. There is not much change from last year.

Q. And I want the percentage of exports to each of the different firms; how many export firms have you now?—A. You mean, how many export firms are in the business?

Q. Yes.—A. I gave you all that last year.

Mr. WHITMAN: This is all a repetition of last year's evidence.

Mr. PERLEY: Not at all, I just want to know if they were the same as last year.

Mr. WRIGHT: I should like to ask Mr. McIvor whether if the fact that the board was the largest holder of wheat they could not control the Winnipeg price by holding grain off the market or by delivering wheat to the market? It would seem to me that if they have the wheat—and I know that when wheat was selling at 90 cents they bought all the wheat—they could determine and control the price on the Winnipeg market either by selling wheat or withholding it. It would seem to me it should be quite easy for them to exercise a control over prices of wheat. They get all the wheat when it is down around 90 cents or lower and they have a deeper hold on the wheat. I am asking Mr. McIvor if he has, any opinion to give us on that.

The WITNESS: Do you think we should, Mr. Wright.

Mr. WRIGHT: I am not setting the policy.

The WITNESS: I am just putting that to you; if you were in our place would you not consider it your duty to try to get the best price you could for your wheat rather than embarking upon a policy of trying to control something.

Mr. DONNELLY: What is the history of other organizations who have tried to do that very sort of thing.

The WITNESS: It is not very good.

Mr. DOUGLAS (Weyburn): You say that the board have consciously, deliberately, tried to have the price raised?

The WITNESS: We have tried to get the best price we could for the people who are holders of our participation certificates.

Mr. DOUGLAS (Weyburn): At this moment the people who are the holders of your participation certificates cannot get the benefit of selling on the open market.

The WITNESS: I hope there will be some benefit for them, Mr. Douglas.

Mr. DOUGLAS (Weyburn): On every increase in price it just means that a larger percentage of farmers are going to sell on the open market instead of to the board.

The WITNESS: That is right. I think the board are like any other holders of anything and knowing their duty I think we are stewards for several hundreds of thousands of farmers and I think the board must conscientiously try to sell their product at the best price they can get.

Mr. PERLEY: I would like to agree but is that being brought about by this policy, this increase in price? It means, first of all, a large percentage of this wheat not being sold to the wheat board; you people would not benefit by any subsequent rise in prices.

The WITNESS: Well, for the people who have already delivered to the board during this and previous years, as the prices go up they should benefit.

Mr. PERLEY: If it is sold by the wheat board.

Mr. DOUGLAS (*Weyburn*): In your statement here as to the 1941 crop you indicate that you expect a surplus of between \$4,000,000 and \$5,000,000.

The WITNESS: Yes.

Mr. DOUGLAS (*Weyburn*): This is on the 1941 crop; you show that here in your statement. The point raised by Mr. Perley a moment ago is one in which I am directly interested. An increase in prices would benefit the people who sold wheat openly. How much of that wheat that has been sold to the board is now being disposed of by the board at less than market prices?

The WITNESS: Perhaps I did not make myself clear, Mr. Douglas.

I said, referring to advances in the market, that wheat that had been delivered to the board, either this year or in previous years, that holders of participation certificates with respect to such wheat, should benefit from any advance in prices, and the higher we can sell the more benefit there should be.

Mr. DOUGLAS (*Weyburn*): Is the board selling wheat at less than market prices?

The WITNESS: I think, Mr. Chairman, if I may say so, we are getting beyond the range of the section we were discussing. I have no objection to discussing it, but I think that a question as to what the board are doing at the present moment is one that I should not be asked.

By Mr. Douglas (Weyburn):

Q. I do not want to ask it if it is not a proper question. But when Mr. McIvor says that people who delivered before to the board are getting the benefit of these increased prices, it does not seem to me in accordance with the facts Mr. McIvor has stated here, namely that the board, as he told us last year, sell this wheat on the open market, and that wheat has been purchased by the United States on the open market. How is the present increase in prices directly benefiting the people who sold this wheat to the wheat board?—A. Well, to the extent that the board sells this wheat at the higher price, to that extent it is bound to benefit them.

Q. May I ask another question. The wheat board at the present time has pegged the price at 90 cents on the exchange. Previously it was pegged at 70 cents.—A. Yes.

Q. What would be the effect if the price went up to around a dollar, of pegging it at one dollar?—A. What would be the effect of pegging it at a dollar?

Q. Yes.—A. Who is going to take it if it goes to a dollar?

Q. A lot of people took it when it was pegged at 90 cents.

Mr. PERLEY: The open market is taking a chance on buying it.

Mr. DONNELLY: The open market price is not pegged.

The WITNESS: No.

Mr. DOUGLAS (*Weyburn*): The minimum is pegged.

The WITNESS: The board price is 90 cents.

Mr. DONNELLY: That is the minimum?

The WITNESS: Yes. That has the effect of putting a floor under the market of 90 cents.

Mr. WHITMAN: That price was pegged by the government.

The WITNESS: The board agreed to pay 90 cents.

The CHAIRMAN: It is not pegged in the sense of a pegged price on the exchange. It is a floor price.

The WITNESS: In other words, no one is going to sell his wheat below that price.

Mr. WHITMAN: Mr. Douglas was asking what would happen if it were pegged at a dollar.

The WITNESS: I am coming to that, if you will permit me. If you say to the grain exchange that wheat cannot sell under one dollar, somebody must be prepared to take it at a dollar.

Mr. DOUGLAS (*Weyburn*): That is correct.

The WITNESS: Otherwise you have something that will not work. You have everybody trying to sell at a dollar and nobody buying.

By Mr. Perley:

Q. Are not the grain exchanges taking a chance in buying over a dollar?—A. The grain exchange do not buy wheat.

Q. I sold some the other day.—A. Individuals on the grain exchange do buy wheat in the country and hedge it.

By Mr. Douglas (Weyburn):

Q. Are they not buying it now?—A. Yes.

Mr. PERLEY: I delivered some the other day.

The WITNESS: And they are hedging it in the market at a dollar. But you are going to go farther than that. You are going to have a guarantee of a dollar. Unless somebody is prepared to give that guarantee, you cannot have a pegged price of a dollar on the exchange.

By Mr. Douglas (Weyburn):

Q. There is nothing to warrant the statement, if I understood you correctly, that nobody would buy it at a dollar.—A. I said that you might find yourself in that position.

By Mr. Perley:

Q. In other words, you are arguing that if it was not for the government having pegged the price now at 90 cents or being willing to buy it at 90 cents, the grain exchange would not take a chance on buying it as they are now doing in the country at over a dollar?—A. No. I am not arguing that at all.

Q. You said, "Who would take the wheat?"—A. I made an answer to Mr. Douglas' question; and Mr. Douglas' question was very clear I think. He asked me why the price should not be a dollar, as I recall it. I went on to say that, if the price was a dollar, somebody would have to be prepared to pay a dollar if you are going to have a guaranteed price of a dollar. Now, you go on to say that I am arguing—would you mind repeating what I am arguing again, because I cannot remember?

Q. Yes. You are saying, "Who would take it?"—A. Yes.

Q. At a dollar?—A. Yes.

Q. I say that the grain exchange fellows are taking a chance now in buying it in the country.—A. And selling it?

Q. Sure.—A. Yes. All right.

Q. Could not the government do that thing?—A. Oh, well—

Q. I will put it this way, Mr. McIvor. Suppose we do away with the exchange, and the board has power to buy all the wheat. Do you not think that with all your staff, and the experience that you have, you could so increase your staff and make as good a job in marketing the whole crop as the grain exchange and you together are now doing? And would there not be more farmers participate or get something out of their participation certificates than are doing so now, because about 40 per cent of the wheat has gone

to the board, against which participation certificates are issued. The open market has got the balance. There can only be 40 per cent participating as far as the board is concerned, in participation certificates. The other will not get very much.

Mr. DONNELLY: What would happen to the man who sold his wheat to the government at 90 cents and finds these other fellows getting a dollar now?

Mr. PERLEY: The government would export wheat and get just as good a price in the world market; they would have the whole thing in their hands, and have participation certificates, if there was anything for the farmer.

Mr. McNEVIN: What is there to hinder the farmer right now from getting a dollar for his wheat?

Mr. PERLEY: He can take it on the open market and get a dollar.

By Mr. Ross (Souris):

Q. From your experience would you care to say why there is the existing difference in the price of wheat in the United States and Canada? What is the reason for that? For the past few months there has been a very great difference. In your experience you must have a pretty fair idea of why that exists.—A. Well, Mr. Ross, in the United States you have quite a different situation from what you have in this country. In the first place, you have a big market in the United States; that is, a big domestic market. You have a population of 130,000,000 people, who, in the ordinary course of events, consume roughly some 700,000,000 bushels of wheat.

By Mr. Donnelly:

Q. What percentage is that of the crop?—A. Oh, 80 per cent. More than that; probably 90 per cent of the crop.

Q. Of the amount produced?—A. Yes.

By Mr. Ross (Souris):

Q. But there is still quite a surplus?—A. Yes. I was just coming to that. In this country, of course, we are just always in the reverse position. We have only 12,000,000 people, and our market is the export market. The United States, as you know, have embarked on a huge feeding programme, and the consumption of wheat, corn and other grains has been very large. In addition to that, of course, they follow a system of farm loans—I think they call the figure 85 per cent parity, as I recall it. But they have a very ready market for the bulk of their wheat with their own people. So I think you have a very different situation from what you have in this country. In other words, they are going to face up to this year with a carry-over, as I recall it, of about 650,000,000 bushels. We will be very much in the same position.

Q. That will be approximately a year's supply for them?—A. Well, it will be less than a year's supply. As to their normal carry-over, in pre-war times if they had a carry-over of 300,000,000 bushels, I think they would consider that is the closest adjustment they should have from one crop year to another. Now, with the amount that they are consuming for feed and other uses 650,000,000 bushels is not a big carry-over for them. But it is a big carry-over in this country, when we have only 12,000,000 to 13,000,000 consumers, and we will have approximately the same carry-over as the United States.

Q. At the end of this crop year?—A. Yes.

By Mr. Douglas (Weyburn):

Q. But it is the law of supply and demand which is responsible for the difference in the two markets.—A. You have an entirely different set-up between the two.

Q. That may be so. Probably you could help the committee by explaining, if the law of supply and demand is the responsible factor, how it is that in Canada when we have this tremendous surplus with a very small population, the market price is now anywhere from eight to ten cents above the board price. What brought that price up?—A. Of course, the law of supply and demand is a very much abused term, I think. For example, there is a huge demand in China.

Q. I am talking about locally.—A. And there is a supply here.

Q. I am talking about the local supply.—A. I was coming to that.

Q. The demand in China is not effective demand.—A. The situation in this country is that the amount of wheat that can be marketed is, first of all, limited to 280,000,000 bushels of this crop; and the amount of wheat which can be transported to the lake head and become a market factor is the amount you have got railway cars for, within the 280,000,000-bushel limit. That is the supply as far as the market is concerned.

Q. That is the supply as far as the new crop is concerned?—A. The present crop.

Q. Is there not another crop, available on the market, having regard to the future price?—A. It will be available after the turn of the year. Shipment will be made to the lake head. But the effective amount of wheat that is coming forward to feed the market is the amount that you can transport.

Q. You will have wheat coming up to the seaboard all the time?—A. We do not ship to seaboard. We merely ship to the lake head.

Q. You sell on future contracts?—A. Yes.

Q. And that wheat will be moving forward all the time?—A. Yes.

Q. There will be more than 280,000,000 bushels available for any one who wants to purchase. All those back crops will be available, as surplus?—A. Yes. But that is on the farm.

Q. Not all of the surplus is on the farm, surely.—A. No. It is not all on the farm. But there is a good deal of that surplus in Canada that has been sold, waiting to go out. What I was getting at was the amount that will be marketed and has been marketed over this crop year up to the 31st of July is 280,000,000 bushels.

By the Chairman:

Q. That is all that can be marketed?—A. That is all that can be marketed, yes.

By Mr. Douglas (Weyburn):

Q. But that does not rule out your large surplus?—A. No.

Q. As part of the supply?—A. No. But I assume there are those who feel, with the close adjustment in the United States, and the general prospective feeding situation, projecting it twelve months ahead, that wheat is worth more than 90 cents.

By Mr. Perley:

Q. May I just ask a question here. I have a recent report published in the Winnipeg Press, dated May 15, 1943. It is headed, "U.S. to Ask More Wheat." It reads:—

Anticipating that U.S. will be called on to ship large quantities of wheat in Europe in 1944, War Food Administrator Davis plans to ask farmers for a sharp increase in winter acreages sown next fall, and hopes to be able to get supplementary supplies from Canada and Australia.

No specific goal has been set as yet, but agriculture department grain experts said they expected Davis to ask for an increase of at least 25 per cent above this year's low level of 52,000,000 acres.

There was no indication of how much grain Davis expected to obtain from Canadian and Australian sources.

Evidently the United States are expecting large exports to Europe this next year. Have you heard anything of that, Mr. McIvor?—A. No, I have not. I have not heard that. From the purport of that article, it would indicate that the United States would purchase Canadian wheat and send it overseas. That is the way that article reads.

Q. Yes. But they would have to have some special arrangement.—A. I know nothing about it. That has never been discussed.

Mr. DONNELLY: The United States are encouraging the farmers to grow more wheat and go out for less coarse grain.

Mr. PERLEY: The article says they want an increase of 25 per cent on 32,000,000 acres.

The CHAIRMAN: I think that is all based in anticipation of what is going to happen in Europe and the trend of the war.

Mr. DONNELLY: Yes.

The CHAIRMAN: I think that will have an influence on the market in this country too, in that it looks as though the North American continent is going to have a big job to do in attempting to feed the people in Europe when conditions are opportune for them to do so. Are there any further questions in respect to this item?

By Mr. Matthews:

Q. How does the spread in price this year, as between Canada and the United States, compare with the spreads in previous years?—A. I am sorry, but I have not that information, Mr. Matthews, other than offhand.

Q. What would you say, just offhand?—A. Offhand, I think the spread is considerably wider.

By Mr. Donnelly:

Q. Have they a processing tax?—A. Not now.

Q. They have no processing tax now?—A. No. They had one, but it was disallowed.

The CHAIRMAN: Can we proceed with the next item?

Mr. DOUGLAS (*Weyburn*): May I finish with the point I was trying to make with Mr. McIvor?

By Mr. Wright:

Q. There may have been a misinterpretation of the first question I asked. That was as to why the board had stabilized the price when it had risen to one dollar by selling wheat at a dollar? Why not let it rise to \$1.05 or \$1.08. Why say the open market stabilized it at one dollar, because I feel that the board, holding most of the wheat, must have been responsible for the stabilization.—A. The difficulty with that is that no one can tell whether the market is going to go to \$1.05 or \$1.08. We hope it will go there. But I think probably most of us are inclined to look at the market using hindsight; and it is a much more difficult thing to try to anticipate the future. I did not say—and I would want this clearly understood—that the board stabilized the price at a dollar. I did say that the board had been selling on this market but I did not say they had stabilized at a dollar.

Q. But the board, being the largest holders of wheat in Canada, naturally can stabilize it.—A. I should say that was not true, Mr. Wright.

Mr. PERLEY: Do not give them any of their options and see what will happen in the next few days.

By Mr. Douglas (Weyburn):

Q. May I finish a question I was asking Mr. McIvor. He pointed out to me the fact that there was a limited amount of wheat coming forward, and it was restricted as to cars, and the fact that there was a diminishing surplus in the United States, which would cause people to feel that wheat was worth more than 90 cents. At the present time apparently a lot of people feel it is worth a dollar. Does that not pretty well offset the argument that Mr. McIvor put up a few moments ago to the effect that, if the board were to put a floor of a dollar on, people would not take the wheat? Are not all the factors pointing to the fact that wheat is now worth considerably more than 90 cents and is probably worth more than a dollar?—A. Well, Mr. Douglas, I do not think there is any greater uncertainty in the world than the future course of the wheat price.

Mr. DONNELLY: Hear, hear.

Mr. PERLEY: Why speculate, then?

The WITNESS: I beg your pardon?

Mr. PERLEY: Why fiddle with the open market, then, and the future price?

The WITNESS: Are you referring to me?

Mr. PERLEY: Well, the board is dealing in futures. Have you not been dealing in buying and selling futures?

The WITNESS: Have I?

Mr. PERLEY: The board?

The WITNESS: Oh, the board.

The CHAIRMAN: May Mr. McIvor be allowed to answer Mr. Douglas' question?

The WITNESS: Yes, may I?

The CHAIRMAN: In sequence.

The WITNESS: I want to make it clear, Mr. Douglas, that I see your point of view. There is at the moment certainly a good demand for wheat at around a dollar, but I do not know how long it will last, nor do I think that anyone else does. We hope that the situation will continue so that the farmers of this country can get a higher price. But certainly no one knows that.

By Mr. Douglas (Weyburn):

Q. The fact is that they are much closer to that now than they were when the government announced its policy in January?—A. I have seen that so often, and I have been at this thing for a long time. I have seen this thing so often, that when every factor you put down on paper looked to be fool-proof, something came along that upset all your calculations and you found there was some factor that had not been considered.

By Mr. McNevin:

Q. The factor of oncoming crops?—A. All of those things.

Mr. DOUGLAS (Weyburn): Oncoming crops will not make any difference unless there is a crop failure, because they cannot deliver any more than 280,000,000 bushels.

The CHAIRMAN: Can we proceed to the next item, which is exports? Are there any comments on that?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: Are there any questions with respect to the next item, the delivery quota system?

By Mr. Perley:

Q. Was there any discrimination—I suppose I should not put it that way, but there are a lot of people who felt that there was discrimination in the allotment of cars on the C.N.R. and the C.P.R. I know on the C.N., south of us, they had a much larger quota most of the year than they had on the C.P., on their main line.—A. Are you referring to this present year? Or are you referring to previous years?

Q. It is at the bottom of the column. I have it marked. But I will ask with respect to any year.—A. There has been no discrimination. You have interjected the question of cars. Cars and quotas are two different things. I have a statement here on the whole basis of quotas for this year. It is, as you know, a big problem, and I should be very glad to deal with both.

The CHAIRMAN: Could Mr. McIvor make a general statement on the policy with respect to the working out of the quotas and the arrangement with respect to cars for elevator companies?

Mr. PERLEY: All right.

The CHAIRMAN: Is that the question?

Mr. DOUGLAS (*Weyburn*): Agreed. I should like to have that. Is it all that manuscript there?

The WITNESS: No. It is not all. This is fairly long.

Mr. DOUGLAS (*Weyburn*): I was going to say if it could be put on the record, we could read it before our next meeting, instead of putting Mr. McIvor to the trouble of reading it.

The CHAIRMAN: A general statement with respect to the policy carried out is, I think, what the committee wants.

Mr. DOUGLAS (*Weyburn*): Yes.

The CHAIRMAN: If there are any further details we can get them from this; we will look at it later.

Mr. DOUGLAS (*Weyburn*): Yes.

By the Chairman:

Q. Would you review the policy that has been carried out with respect to quotas for individual points and also the effect of car distribution and how that policy is administered?—A. Yes. First, I shall speak with regard to the general policy as to quotas. Of course, we started out as in past years—if I get off the beam, I hope Mr. Davidson will correct me—with a 5-bushel quota. As you all know, the harvest last fall was late; and we found last year that there was a very big demand for feed grains in eastern Canada. So we embarked upon the policy of shipping grain in accordance with the demand. In other words, we felt in the early part of the year that it would not be wise to ship high-grade wheat, from, we will say, southwestern Saskatchewan, when there were big supplies of high-grade wheat at the lake head, and when we knew very well that in Ontario, the province of Quebec, and the maritimes, there was a demand for low-grades. So we shipped generally along the line of shipping the kind of grain that was needed, which included low-grade wheat, barley and oats. That did, for a time, create more congestion at some points in southwestern Saskatchewan and southern Saskatchewan than if cars had been applied evenly over the three provinces. We also had the problem of shipping malting barley. We arranged at the outset that any man with a car of malting barley could deliver it over the quota, and then that was increased to two cars and then to three cars. We also

had the problem of flax. If you remember, under the arrangements regarding flax, we agreed that a man would not be subjected to the quota. We had to keep the flax cleared from the elevators by putting cars into these points. But as we progressed along the season, or the year, we gradually worked these low-quota points up higher. We used them to a very considerable extent to fill the mill demand; and wherever we could, we ordered cars in to these low-quota points, and they were gradually raised. To-day there is not any quota in western Canada under 12 bushels of wheat, and I expect that this week we will be able to declare a general quota of 15 bushels over the three provinces. You agree with that, Mr. Davidson, do you?

Mr. DAVIDSON: That is right.

Mr. PERLEY: That came over the radio this morning. I heard it.

The WITNESS: They are a little ahead of me, then. I now feel very confident that we will be able to take care of all these shipments so that the other quotas can be taken care of. We have had the worst winter, I suppose, in the history of western Canada as far as the movement of grain is concerned. The result was that there were days on end when the railways could not move cars at all. All of that added to our difficulties. However, car movement is very good at the present time, and cars are being pushed into these points in southern Saskatchewan—which have been the worst points that we have had—some of them, and some in Alberta. In addition to that, we have also permitted over-deliveries of damp wheat. As you know, the elevator companies cannot hold damp wheat in the country elevators, and we permitted cars to go in for damp wheat.

By the Chairman:

Q. At that point may I ask if there was any concession given to the farmer who had damp wheat stored in his granary out of his quota?—A. Yes.

Q. He was allowed to deliver?—A. He could deliver and get a car for the shipment of this wheat. The damp wheat problem which we thought would be very extensive at one time, was cleaned up nicely, and a lot of this wheat was threshed dry in the spring, which relieved us of a great many problems.

On the 5th of June—dealing with the provinces individually—in Manitoba there are 368 points. One hundred per cent of those points are on a 15-bushel quota. In oats, there are 368 what we call open points; that is, there are no quota restrictions other than that the deliveries must be recorded in the permit book. In barley there are 368 open points and in rye there are 368 points at 20 bushels; the quota is 20 bushels. In the province of Saskatchewan—and this is on June 5; there has been considerable improvement since then—there are 455 points, or 40 per cent of the province, on a 12-bushel quota; 350 or 31 per cent, on a 14-bushel quota; 325 points or 29 per cent of the province on a 15-bushel quota. As far as oats are concerned, there are 543 points or 48 per cent of the province on 20 bushels; 375 points or 33 per cent of the province on 30 bushels; and 212 points, or 19 per cent of the province, are open points. In the province of Alberta, all points are at 15 bushels with respect to wheat. As Mr. Perley said, all points to-day in the three provinces are at 15 bushels. So that the situation looks a great deal brighter. I might say that one of the only reasons that we got through as well as we did was that those producers who were at those bad points were very patient. They were exceedingly patient. We got a great many letters, but when they were written to and the matter was explained to them, they agreed, I think, that we were following the correct policy. It was only through the cooperation of the producers that there was not more trouble in regard to the movement.

By Mr. Donnelly:

Q. What are the prospects of having cars so that the producers can deliver their quotas?—A. We are getting all the cars we need now, Dr. Donnelly.

Q. There are very few points that I know, that I deliver to, that have been able to deliver their quotas for some time past.—A. If you check within recent days, I think you will find there has been a great change in that situation. If you give me the points you have in mind, if the cars are not going in there we will see that they do go in.

By Mr. Perley:

Q. What is the situation along the main line?—A. Very good.

By Mr. Fair:

Q. If the 15-bushel quota will not make up the 280,000,000 bushels, will there be a further extension of that?—A. The board's responsibility, of course, is to permit delivery of 280,000,000 bushels. Frankly, at the moment I do not know how the 15-bushel quota will work out, because there are so many speculative factors; we cannot tell anything about that for two or three weeks probably.

By Mr. Donnelly:

Q. How many million bushels have been delivered now?—A. About 209,000,000 is the last figure I saw.

Q. That is as of what date?—A. Well, it was several days ago, Mr. Donnelly.

By Mr. Evans:

Q. What percentage of deliveries has the board had this year on the 1942-43 crop?—A. What percentage?

Q. What percentage of the deliveries?

By the Chairman:

Q. The board assumes responsibility for all deliveries under the quota.—A. Yes, as far as that goes.

By Mr. Donnelly:

Q. What has been sold to the board?—A. I do not really think I should give that figure.

By the Chairman:

Q. May I ask who controls the delivery of cars as between the elevator companies? That was probably mentioned last year, but it is well to know just who is responsible in that regard.—A. It is the board's responsibility to control the delivery of cars to country elevators. We operate directly under the transport controller. He assigns to us that duty in the west. The system that is followed—I think I had better read this.

By Mr. Douglas (Weyburn):

Q. Before you leave the question of cars, may I ask another question. If I caught it correctly, there seemed to be a large percentage of points in Saskatchewan still with the 20-bushel quota on oats. What is the reason for that? I think about 40 per cent of the points had a 20-bushel quota on oats, Is that due to lack of cars?—A. The reason for that is that there are a lot of points in Saskatchewan which have not a favourable freight rate to Minne-

apolis. There is a big area that has, but there is a big area that has not. And the purchasing power for the movement of oats to the middle west has gone into the points with the favourable freight rate.

Mr. ROSS (*Souris*): I know it is a little past one o'clock but I think there will be quite a little discussion on this.

Mr. DOUGLAS (*Weyburn*): How would that affect it?

The WITNESS: Because there is not room for more. What we are doing now, Mr. Douglas, is that we are concentrating on this point of getting this stuff moving to Lakehead so we can handle the quotas better.

The CHAIRMAN: Just a minute, gentlemen; what is the wish of the committee with respect to this afternoon? The grain board people are very anxious to get back to Winnipeg as quickly as they can as they have some very important matters to attend to.

Some Hon. MEMBERS: Make it four o'clock.

The CHAIRMAN: Then we will meet again at four o'clock this afternoon.

Mr. PERLEY: But, Mr. Chairman, the Minister of Naval Affairs has just started.

Mr. DOUGLAS (*Weyburn*): I would move that we meet again at four o'clock this afternoon.

Motion agreed to.

The Committee adjourned at 1.07 o'clock, p.m., to meet again at 4.00 o'clock, p.m., this day.

AFTERNOON SESSION

The committee resumed at 4.15 o'clock p.m.

The CHAIRMAN: We have a quorum gentlemen; shall we proceed?

Mr. McIVOR was just making a statement with respect to the delivered quota system and its effect on the delivery of grain. May he continue?

Mr. PERLEY: Where did we leave off, on page 6?

The CHAIRMAN: No, it was on page 5, delivery quotas. You might continue with your statement, Mr. McIvor.

The WITNESS: I think, Mr. Chairman, just before we broke off, the question of durum wheat came up, as I recall it.

Mr. WHITMAN: Yes, Mr. Ross brought it up.

The WITNESS: Do you want me to deal with that now, or do you want me to wait until Mr. Ross is here?

The CHAIRMAN: I think that perhaps it better be dealt with now, somebody else may be absent at some later time.

The WITNESS: On the 30th of March we issued a statement to the effect that durum wheat could be delivered over and above the quota. I think I better read the first paragraph of that statement:—

The dominion government has authorized the Canadian Wheat Board to remove restrictions on the marketing of durum wheat for the balance of the crop year. Durum wheat is used in the manufacture of macaroni and allied products which are in demand for civilian and military use. Macaroni in its use is a meat substitute and consequently an important food product under present conditions. The present removal of restric-

tions on the marketing of durum wheat is effective only until July 31, 1943. On and after August 1, 1943, restriction on wheat deliveries as announced for the crop year 1943-44 will apply to durum wheat as to other varieties.

Now, the reason for that recommendation to the government was the fact that durum wheat delivered under the quota was pretty well exhausted, and in view of the prospect of meat rationing and the necessity of encouraging the use of other foods the board recommended to the government that durum wheat, which is not used in bread-making but entirely for macaroni and other allied products, be delivered irrespective of quota. The durum wheat is usually grown in Manitoba and southeastern Saskatchewan.

By the Chairman:

Q. How much durum wheat did you get?—A. Mr. Davidson tells me that we got 2,000,000 bushels. We had delivered to us about 2,000,000 up to the time the quota came off, and I think we expected a further 2,000,000—wasn't that the situation?

Mr. DAVIDSON: Yes.

The CHAIRMAN: That means durum wheat grown in the west this year will be not very difficult to dispose of?

The WITNESS: Yes. Do you mean in relation to the 280,000,000?

The CHAIRMAN: No, in addition to that.

Mr. DAVIDSON: Yes, that is it.

The WITNESS: That is as I understand it.

The CHAIRMAN: Not entirely outside of the 280,000,000 bushels.

The WITNESS: That 280,000,000 was for deliveries on the quota.

The CHAIRMAN: Yes, the first deliveries are on a quota basis; and now over and above the quota for this last year, permitting the delivery of 280,000,000 bushels—that is outside of the 280,000,000 bushels?

The WITNESS: I see your point; in other words, the amount over and above the quota is over the 280,000,000.

By Mr. McNevin (Victoria, Ontario):

Q. And that will mean the whole amount of durum wheat grown will be delivered, regardless of what portion the quota affords?—A. That is right.

By Mr. Evans:

Q. Supposing a farmer delivers a 15-bushel quota of hard wheat, could he deliver the durum wheat, too; is that on the quota?—A. All durum wheat over and above that, yes. It is a clear case of necessity. The wheat was there and we thought it advisable to not have this wheat left on the farm when it was needed so badly.

The CHAIRMAN: Any further questions in respect to that matter?

Section agreed to.

The CHAIRMAN: What is the next matter that arises there?

The WITNESS: I think it is the question of car distribution.

The CHAIRMAN: Yes, the matter of car distribution was the next item that arose.

The WITNESS: I would just like to outline the method of distribution of cars which has been employed this year. I would like to say also that the system that has been followed has been very satisfactory to all concerned, because we have had so far as complaints are concerned, very few on the

handling of this year's crop. I think I could read to you the report I have in my hand here on the basis of car authorization. It reads as follows:—

Since last October, when the Canadian Wheat Board decided that it was necessary to assume complete control over the shipment of all grain, the following procedure has been adopted when authorizing cars for shipment:—

Wheat

1. Damp Grain, Tough wheat with over 16 per cent moisture, Durum wheat, Alberta Red Winter wheat. Due to the market demand for Durum and Alberta Red Winter wheat, and the necessity of moving damp grain to avoid deterioration, cars for the shipment of this class of grain have been authorized freely on application from the elevator companies.

Under this policy the companies receive cars for this class of shipment in accordance with the stocks they have available, which works out the percentage of business they have secured.

2. Wheat shipments to domestic mills. All companies receive a share of all wheat shipments to the domestic mills. This covers open market wheat purchased by the mills from the grain trade as well as wheat purchased from the Canadian Wheat Board. These mill shipments are proportioned to the various elevator companies, in accordance with the number of elevators they operate within the territory designated by the mills from which they are prepared to accept shipment, by a Mill Shipments Committee. The Mill Shipments Committee is a committee on which all members of the grain trade are represented.

3. Low grade wheat shipments to the Lakehead. As there has been such a keen market demand for low grade wheat for feeding purposes, it has been necessary for us on several occasions to order out all stocks of these grades available. At these times the elevator companies secured cars on application in accordance with the quantity of this class of wheat they had available. During the periods when the demand was not as keen, shipments of low grade wheat were restricted to shipments from open stations, which are the low quota stations, but the shipments were still authorized in accordance with the stocks of these grades each company had available at the various open stations. A record is kept of these low grade wheat authorizations and the authorizations are taken into consideration when high grade wheat shipments are authorized.

4. High grade wheat shipments to the Lakehead. When authorizing shipment of high grade wheat to the Lakehead we proportion the shipments between the elevator companies on each market in accordance with the capacity of their permanent elevator facilities.

5. Shipments of wheat to destinations other than the Lakehead or the mills. Shipments of this class of wheat are confined, whenever possible, to shipments from the low quota open stations.

Prior to these policies regarding wheat shipments being put into effect, this matter was given a great deal of consideration by the wheat board and was discussed with representatives of the railways, the mills and the grain trade, including representatives of the producer-owned organizations. Although it was not possible to arrive at a method that was satisfactory to all concerned, it was the consensus of opinion of the majority of the representatives, including the majority of the representatives of the producer organizations, that the policy under which we have been operating was the most practical one, keeping in mind the

necessity of controlling the flow of the different grains and grades to the market and, at the same time, utilizing all storage space to best advantage so as to enable the quota system of deliveries to operate.

Coarse Grain Shipments. The policy of authorizing shipments of coarse grains, due to the keen market demand for these grains, has differed from our policy in connection with wheat shipments. To a large extent there has been a free shipment of coarse grains, cars being allocated to the various elevator companies in accordance with the stocks they had available for shipment and in accordance to the sales they complete. In general this policy has resulted in the elevator companies securing cars for the shipment of their coarse grains in accordance with the amount of coarse grains that are delivered to them by the producers, and in accordance with the sales they complete. This policy has been a great incentive to the companies to find markets and to merchandise the coarse grain.

Preference Order of Shipment. From time to time we have found it necessary to issue instructions to the railway companies regarding the order in which we want them to place cars for shipments authorized by us. Depending on the market demand for the various grains or grades of grain the preference order is issued. Throughout most of the season the movement of damp grain has been the first preference, and the shipment of wheat to mills the second preference. Lower preferences have varied in accordance with demand and transportation.

By Mr. Douglas (Weyburn):

Q. Has this been considered more satisfactory by the farmers themselves than was the allotment of cars on the basis of permanent storage which was the policy before?—A. I think, Mr. Douglas, that this has been the most satisfactory year in which we have operated, because we have had practically no complaints from any of the companies.

Q. They are all satisfied?—A. Yes.

By the Chairman:

Q. Approximately how many cars a day would be required, or how many have you been getting to move grain; and, how many are necessary to get the crop out?—A. During the bad weather the number of cars available got down to about 450 a day, and that was entirely inadequate. We had several discussions with Mr. T. C. Lockwood, Transport Controller who, I might say—I would like to say before this committee—has given a great deal of help to us, and always had the most sympathetic understanding of our situation—and as a result of his representations the cars now available, Mr. Chairman, are running from 1,000 to 1,200 cars per day; which is adequate at the present time.

By Mr. Douglas (Weyburn):

Q. Was there any points at all on the prairies who up to say September 1st had not been able to ship out the first quota of five bushels?—A. Mr. Davidson, do you know?

Mr. PERLEY: Up to what date?

Mr. DOUGLAS (*Weyburn*): Say December 1.

The WITNESS: Mr. Davidson says that he does not think there were any points up to five, but there were a number of points that were not able to ship out up to eight.

Mr. PERLEY: I think on the main line there were quite a few points that did not get up to eight.

The WITNESS: Yes. I just want to reemphasize what I said this morning that the obligation—and we thought it was an obligation—to get as much low-grade wheat forward as possible had reacted unfavourably towards some of the high-grade wheat points; but it just could not be helped, we stretched the cars just as far as they would go and that is the best we could do.

By Mr. Douglas (Weyburn):

Q. The problem of course was as to the months of October and November when on many points there were no cars available, and a lot of farmers had financial obligations waiting, some of which could not be discharged because of the lack of cars.—A. I am free to admit that there were some points that could not get cars for a considerable period of time; and we would have been delighted to give them cars had we had them available, but we simply did not have them.

By the Chairman:

Q. I was particularly interested in bringing out the information that you were down to 450 cars a day, and to-day you are double that amount, which would suggest the difficulty that there was for a while last year in getting the stuff moved.—A. Mr. Davidson just reminded me of the fact that in the first week of December the railways were given orders to ship all points up to eight bushels and take care of the situation that you have in mind.

The CHAIRMAN: Are there any further questions on this particular feature of the report?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Then proceeding to the next heading, I do not know whether we have any discussion on farm storage or not. The statement is there with respect to what took place last year. It is not in effect this year.

By Mr. Perley:

Q. Mr. McIvor, could you tell us, or would you be divulging any secrets, why they did not continue farm storage?

The CHAIRMAN: Possibly you had better ask that question of Mr. MacKinnon.

Hon. Mr. MACKINNON: I think Mr. McIvor can answer that.

The WITNESS: I should like to say something on that feature, if I may. Frankly, the view of our board was that the whole programme in the marketing of grain should be to get this wheat marketed as soon as storage for it was available. The payment of farm storage has the opposite effect. The payment of farm storage has the effect of holding wheat back; and our board felt—and I think rightly so—that the longer you delayed the delivery of this wheat, the less possibility there was of getting your 280,000,000 bushels delivered. As a matter of fact, we put out several statements during the year urging farmers at points where there was space to deliver their wheat so that we would know where we stood.

By Mr. Perley:

Q. Was there not lots of wheat to take care of that? I mean, there was no danger that you would be short of wheat.—A. We had a great many points where the space was there and the farmers were not delivering.

By Mr. Wright:

Q. That is quite possible, but there was still grain enough back in the country to use all the cars that were available to you at any time.—A. Not

necessarily, Mr. Wright. I want to point out this to you, that the influence of farm storage is that you delay your deliveries on until the last half of June and July; and it is just a physical impossibility to move that grain in that period of time.

Q. But if you had all of your country elevators empty at that time, they would hold any grain that was in the country?—A. Yes. But we did not have them all empty.

Q. You could have had; you could have emptied them and left the grain on the farm.—A. Of course, it is not as simple as that, Mr. Wright. Not only did we have the responsibility of getting this grain through the elevators and into the cars, but we also had to take care of the type of demand that there was.

Q. Oh, yes.—A. It would not do any of us any good to have filled the lake head with high-grade wheat when, at that particular time, there was no demand, and when we should have been putting low-grade wheat, oats and barley there to take care of the eastern demand.

By Mr. Perley:

Q. Yet when you open up at any point, when you increase the quota, you cannot control the grade of wheat that is delivered, because one farmer has No. 2 northern and his neighbour has No. 3. They bring it in and deliver on their quota.—A. That is true. But you know as well as I do that the crop goes in districts. You have certain districts in which there is low-grade wheat produced, and certain other districts in which there is high-grade wheat produced.

Q. Take the item here; there was \$648,000 odd paid during the year for farm storage.—A. Yes.

Q. On some 99,000,000 bushels.—A. 99,000,000.

Q. It is shown here that in the month of July there was the largest payment, other than up above in November. November 1 and November 23 show large payments. Would that be based on more deliveries in July?—A. That is the point I am making. First of all, you have got this back-log of deliveries and you cannot cope with them. For example, I think that this year there will be delivered somewhere around 480,000,000 bushels of grain; roughly 280,000,000 bushels of wheat and 200,000,000 bushels of coarse grain, or close to half a billion bushels of grain. That is a tremendous job, and the only way you can do that job properly is to move it over a period of time. You cannot leave it to the last six weeks and expect to get it moved because it is physically impossible to move it.

Hon. Mr. MacKINNON: I think it is fair to say, Mr. Chairman and Mr. McIvor, that the wheat board advised the government that their problem of handling the wheat programme, as decided upon by the government, would be made practically impossible if we had decided to pay farm storage.

The WITNESS: Yes, sir.

By Mr. Douglas (Weyburn):

Q. I think Mr. McIvor has put up quite a strong argument with reference to the old system of storage, if you were going to move wheat forward. I think there is not any doubt about it, that the payment of storage on a monthly basis would tend to have each producer hold his wheat as long as he could in order to get that extra amount per bushel for storage. Naturally you want that grain forwarded or shipped in an orderly manner so as to use all your facilities while you have them rather than all come in the last month. Although he has made quite a strong argument for not keeping the old type of storage system, it seems to me that he has not made a strong argument for eliminating it entirely. Surely it would not have been too complicated a proposition to have paid storage and

to have had this wheat on demand, so that if at any time you raised the quota for a certain district—if you raised the quota in a district to eight bushels and set a date within which all those in that district who had permit books must deliver their eight-bushel quota or lose the right to deliver, it would simply be during that time when you were prepared to take eight bushels, they would have to deliver eight bushels in a stated period. But until you were able to take it, they would be paid storage for holding it, because there is considerable cost involved in storing this wheat. A lot of them last year had to buy this snow fencing, tar paper and all that sort of thing.—A. Yes. The only difficulty with that is that all of these things were considered by us. Frankly, it is, in my opinion, quite a hardship to say, "Now, there is the date that you have got to deliver by, and if you do not deliver at that date, you are out of luck."

Q. At least, you would be out of luck as far as storage is concerned. That is my point. If you keep it beyond a certain date, after that you waive your right to storage.—A. Yes. But you run into all sorts of reasons why people cannot deliver wheat; and many of them are very good reasons. The roads are gone.

Q. That is right.—A. Or they cannot get in at their usual market.

Q. They would not be hurt. All it would mean is that they would not get any storage if they kept it beyond a certain period. If they keep it beyond a certain period they are storing it at their own expense, which is what they are doing now, anyway. But they should get some compensation for the period in which they are storing it at your request.—A. What I should like to say is this. I think that the whole basis this year was changed. In previous years, why did you pay storage? You paid farm storage because, with the limited elevator facilities, the limited elevator storage, you wanted the producer to assist in holding back this grain, so that there would not be a crowding of the facilities. But you had to have a continuous chain this year in order to handle the grain.

Q. Yes. It is true you wanted a continuous chain, but nevertheless there were several months during which you required the producer to hold a considerable quantity.

By Mr. Perley:

Q. Mr. McIvor, I think during this last season a great many farmers had to go to a very great expense in building new bins to provide for this storage. I cannot see why they could not have been encouraged. When the annexes that were built were filled, and they were kept full, and there was no demand on the horizon to indicate that they would not continue to be full this last year, I think it would not have hurt the board to have encouraged the farmer even to hold back for two or three cents a bushel instead of delivering his 8-bushel quota or his 5-bushel quota the first time. If he thought he could get storage, he could keep that back. He would earn a little money and he would not be interfering with you, or at least with your board's operations, because there was lots of wheat back in the country to keep the space filled at each point. I know farmers in my district—in fact, in my own case, I would have kept wheat back if I had thought I could have made three or four cents a bushel on it and not filled the space in the elevators in the town. Here is another point. When they announce the quota, all the elevators in any point announce that they now can take another 1,500 bushels of wheat. For instance, the other day in our own town they announced that they could take about 2,000 bushels; that is, when the quota was increased. There were about fifteen trucks landed at the elevators right off the bat, and some of them could not get back for a second load. Therefore they could not get their quota up to as much as they were entitled to, because there were so many there ready with trucks to fill the space. That is, the first run of trucks in the district practically filled the space that had been emptied by the cars the day before. So if a farmer had

been encouraged a little to get this storage and had been able to get it, I think there would not be such a rush to fill up the space as there is now.—A. Well, that is what we want. We want the space filled.

Hon. Mr. MACKINNON: It has not been filled.

By Mr. Perley:

Q. Who gains by that? The annexes are kept filled.—A. There is a physical job. Your suggestion is that we are endeavouring to benefit the elevator companies. I assure you that there is not any thought of that kind in my mind at all.

Q. There is no difficulty in getting the elevators filled all the time even if you do encourage the other fellow.—A. As I say, there is a physical job to do. That job can only be done by the efficient handling of the elevators, cars and terminals, and it cannot be done spasmodically. It has got to be a chain, as I said before, of constantly moving grain.

Q. If there was a scarcity of grain to fill your orders, there would be something to your argument.—A. There was, at some times, scarcity of some types to fill our orders.

By Mr. Henderson:

Q. It was a matter, largely, of transportation troubles?—A. Yes.

Mr. PERLEY: It was not lack of grain.

By Mr. Donnelly:

Q. You have there receipts from producers, 99,541,198-20 bushels. How much was other wheat, wheat received by other companies and sold to them? Can you tell us how much it was per month?—A. The total amount sold outside the board?

Q. Yes; and how much per month?—A. The total deliveries in 1941-42, I think are contained in this report: 227·9 million bushels, on page 4. I have not the monthly deliveries.

Q. I wanted to know whether it was because of the increased price of storage or the increased price on the open market to deliver to you during the months of February, March, April, May, June and July, that you did not get it or because of the bigger price being paid by the open market, that they were selling it to them?—A. Well, they were. That is the reason for the big reduction. It says in your statement that, "Farm storage payments in 1941-42 reflected the relatively heavy marketings previous to November 1, the higher prices for wheat marketed outside the board, and the smaller crop."

The CHAIRMAN: Of course, this statement with respect to storage here only starts from November 1; so that you had your deliveries earlier in the grain season that are not recorded in your farm storage statement.

The WITNESS: Yes.

The CHAIRMAN: There would be probably more than what you have there that you paid storage on.

Mr. DONNELLY: No. That gives it there—previous to November 1, 55,000,000 bushels.

The CHAIRMAN: Oh, yes. It does give previous.

By Mr. Evans:

Q. With respect to feed grain to eastern Canada, was it possible for the eastern farmer to get a permit from your board to buy direct from the farmer in the west there, or did it all have to go through your board?—A. He could get a permit to ship direct, provided it was within the quota.

By Mr. Mullins:

Q. That is coarse grain, such as barley or oats?—A. Provided it was in the quota at the shipping point.

By Mr. Evans:

Q. It had to be entered in your quota book as delivered?—A. Yes. The point is this. We had a great many requests for above-quota shipments of coarse grains to eastern Canada. I will give you an illustration. There was one man who had a feed lot down in Quebec. He wanted to ship 45,000 bushels of barley from a farm that he had in the west. I leave it to you that you would be using up all your railway equipment in shipping grain above the quota, and leaving the man that had not delivered his grain within the quota high and dry, which I think is entirely unfair; the eastern demand should be supplied by within-the-quota grain, just the same as any other demand.

The CHAIRMAN: Would it be any advantage to a man to secure a permit and pay the market price for the grain and buy from an individual as against the board handling it right through?

Mr. MULLINS: That is, for the eastern trade?

The CHAIRMAN: Yes. That is for the eastern trade.

The WITNESS: That is a very complicated question. Under the freight assistance policy of the feed administration grain has to be cleaned to a certain standard due to some of the provincial laws, I think particularly in the province of Quebec. If you ship dirty grain down and the farmer takes the risk that he might not be able to obtain his freight assistance, in that case he would have a decided loss; he would be paying the freight himself so in a general way I think it is better to ship clean grain that comes within the provisions of the requirements of the feed administrator.

By Mr. Perley:

Q. Is there anything to prevent a farmer having his grain cleaned in local elevators?—A. No.

Q. And shipped to a farmer in Ontario?—A. Not as long as it is within the quota at his point.

Q. He gets the advantage of freight?—A. I understand he does; that is under the feed administrator.

Q. You do not know if anything like that was done at all?—A. I think so.

By Mr. Douglas (Weyburn):

Q. You mean, not within his quota but within the district quota?—A. Within the quota at his point, yes.

By Mr. Perley:

Q. You say here that the farmers were paid \$648,000 for storage. Can you give us the amount paid to the grain companies for storage?—A. It is all in the report, Mr. Perley. Mr. Findlay will deal with it when he comes back again.

Q. You say the farmers were paid on 299,000,000. How much was marketed that year, do you remember?—A. 227·9 millions.

Q. I wonder if we can have what was paid for that 227·9 millions on the companies' account, just to make a comparison.—A. There is no way of getting at that. This is non-board wheat and has nothing to do with the board. That was wheat purchased by the elevator companies and hedged, not board wheat at all.

Q. You paid storage to the elevator companies on grain?—A. Not on that wheat, we did not pay.

Q. No, but grain; it was not paid on that but for a portion of the crop that went into the open market on that quota storage?—A. No.

Q. Went into annexes and elevators. You can give us that?—A. No.

Q. Why not?—A. It does not come within the purview of the wheat board. This is wheat marketed outside the board.

Q. You have paid storage on non-board wheat?—A. No, we have not paid any storage on that.

Q. To the elevator companies?—A. No; that is not wheat board wheat.

By Mr. Evans:

Q. But you paid storage on the first 99,000,000 bushels?—A. Yes.

Mr. DOUGLAS (Weyburn): Government wheat.

By Mr. Perley:

Q. To the farmers on which you paid storage.—A. The total amount of wheat delivered that year was 227·9 million bushels, of which 99,000,000 was delivered to the board. We paid the farmers storage on that 99,000,000 to the extent that you have in your account. In addition to that we paid storage to the elevator companies on the 99,000,000 after it was delivered to the elevator companies during the year, but the balance of it, that is non-board wheat.

Q. Can you give us a breakdown of what you paid to the elevators?—A. I would prefer you left that to Mr. Findlay. He is dealing with the accounts and I am quite sure he will be able to answer that question.

Mr. HENDERSON: I think Mr. McIvor has given us a very good explanation why we cannot expect to get storage this year. I should like to explain to him the reasons why when the quotas were given out certain stations were not filled. It was because when the quotas came out the roads were closed and the farmers could not possibly deliver. Another reason is this: a good many farmers prepared those open bins covered with temporary roofs and they could not afford to open up the roof until such time as the quota would justify the opening of the roof to move the wheat. That is one reason the wheat was not moved when there was apparent space at the local elevators.

The CHAIRMAN: Is there any further discussion on the matter of storage?

Some Hon. MEMBERS: Carried.

The CHAIRMAN: What about the processing levy?

By Mr. Douglas (Weyburn):

Q. Would Mr. McIvor care to make a statement as to why it was repealed and what was the recommendation of the board to the government?—A. I would prefer not—after all, that is a matter of government policy, Mr. Douglas.

Q. I imagine the government acted on the recommendation of the board.

Mr. WHITMAN: That was the statement made by the government, was it not?

Hon. Mr. MACKINNON: At the moment, without looking into it, I could not make a statement. I am not just very sure, but I think we discussed it with the wheat board, but I do not think our action was necessarily acting on the advice of the wheat board at all.

By Mr. Perley:

Q. How much was the quota on that?—A. This is all in the previous year's report. I think we went into that last year.

The CHAIRMAN: The next one, measures relating to flax.

By Mr. Douglas (Weyburn):

Q. This is the only opportunity we will have to discuss this very important part of the government wheat policy of the year before. There was no oppor-

tunity in the house last year to discuss the repeal of this part of the government policy. Maybe to-morrow or some other time the minister will make a statement in regard to it.

Hon. Mr. MACKINNON: I am sure I have already made a statement.

Mr. DOUGLAS (*Weyburn*): As to when it was repealed?

Hon. Mr. MACKINNON: Yes.

Mr. PERLEY: Did the millers take much exception to it?

Hon. Mr. MACKINNON: I just forget the report.

The WITNESS: I do not think they did.

Mr. McNEVIN: Quite recently they discontinued across the line so I guess you are following suit.

Mr. DOUGLAS (*Weyburn*): They do a lot of things across the line; they do some lynching across the line, I have heard.

Hon. Mr. MACKINNON: We were not taking any advice from the millers, I can assure you of that.

Mr. PERLEY: Was there anything in the suggestion the millers advised their bakers to store up some flour in advance in the expectation that the price would be increased? In fact, I got it from one vice-president of one of the mills that they had instructed their bakers to store all possible flour they could before the processing tax would go on.

Hon. Mr. MACKINNON: I do not know their attitude—you are referring to the large millers?

Mr. PERLEY: Yes, the ones that control the bakers.

Hon. Mr. MACKINNON: I do know representations were made to us and we investigated and found out that the processing tax was putting bakers by the dozen out of business, putting them into bankruptcy.

Mr. PERLEY: That is interesting. The price of wheat was increased to 90 cents and the processing tax added to it, but even that would not make it as high as the price was in 1937, and there was no increase in the price of bread then.

Hon. Mr. MACKINNON: I can only give you the facts of the case.

Mr. McNEVIN: There is no question in the province of Ontario the baker that might be termed the local baker, apart from the subsidiaries of the very large marketing companies, was being crowded right out of business. I can name a dozen within 50 miles of where I live. That was the situation, and if it had been allowed to exist the large milling corporations with baking subsidiaries would have completely dominated the whole baking situation in the province of Ontario.

Hon. Mr. MACKINNON: I remember that I was given a list of a hundred bakers in one section of Ontario that were put out of business.

The WITNESS: I think, Mr. MacKinnon, the position was this, as I recall it: the government did not want an increase in the price of bread and the relation between bread and the wheat price plus the processing levy was just too much of a squeeze on the bakers and there were dozens of them going out, as I recall it.

Mr. DOUGLAS (*Weyburn*): That seems a difficult thing to substantiate unless we can get some figures on it, Mr. Chairman, because the same millers had paid up to as high as \$1.40 for wheat in 1937 and that did not affect the price of bread and did not seem to drive very many bakers out of business. Wheat is now selling for around \$1 and there is no question of them going out of business. Now you have a price ceiling, remember, which you did not have then, and there was nothing then to prevent the people from putting up the price of bread if it was necessary. It seems to me we ought to have some more information as to exactly the relationship between the price of bread and the price of flour and the price of wheat. If I remember correctly, it takes about 44 loaves of bread—

Hon. Mr. MacKINNON: You are talking theory; the actual result of the processing tax made it impossible for dozens and dozens of small bakeries throughout the country to stay in business.

Mr. MULLINS: Throughout the whole country?

Hon. Mr. MacKINNON: Yes, all throughout the country. I know I have lists in my files of at least a hundred in one part of Ontario. Now, that is the actual result of the condition, plus the processing tax.

Mr. PERLEY: I did not hear of any complaints in western Canada from the local bakeries.

Hon. Mr. MacKINNON: We had delegations down here from all over Canada.

Mr. PERLEY: From western Canada?

Hon. Mr. MacKINNON: From western Canada too, large bakers, all from western Canada, were down in full strength and from Vancouver; and as a matter of fact they were down just at the time of that fatal aeroplane accident out of Winnipeg when one or two bakers were killed in that wreck.

Mr. McNEVIN: I may say that there were delegations down from the section I represent interviewing the minister and also making representations to private members to use their influence.

Mr. HENDERSON: Is it not a fact that the bakers in the maritimes asked to be removed; so far as they were concerned they became exempt and Quebec and Ontario pleaded for it and they were joined by the western bakers as well?

Mr. DOUGLAS (*Weyburn*): The minister says it is talking theory. There is no theory about the fact that in 1937 the millers paid \$1.40 for wheat and nobody seemed to be hurt; there is not much theory about that.

The CHAIRMAN: Are there any further comments with respect to this?

The next statement is: special measures regarding flax-seed and so forth.

By Mr. Wright:

Q. What was the total flax crop in Canada?—A. I think I have the flax position. The estimate of production was 14,700,000 bushels, allowance for dockage 1,440,000, marketable crop 13,230,000.

Q. We have crushing capacity in Canada for approximately— —A. I think I can give you all these figures: marketing to May 14, 1943, 10,894,000 bushels, leaving a balance on farms of 2,335,000 bushels; 1943 estimates seed requirements, 1,300,000 bushels, estimated balance to be delivered, 535,000 bushels.

By Mr. Perley:

Q. Mr. McIvor, when you had control of all the flax you suspended trading operations, why was that necessary?—A. Well, it was necessary for certain reasons, Mr. Perley. One was that we had to freeze the flax in Canada at the existing price at that date, which was \$1.64, had to make sure that the flax did not move out of the elevators and be delivered at \$2.25 the following year, which was the fixed price the following year.

By Mr. Douglas (Weyburn):

Q. You had the same situation in regard to wheat when you changed the price from 70 cents to 90 cents?—A. Yes.

Q. Why didn't you follow that policy?—A. The position was a little different. The wheat price, the 90 cent price, was just merely a readjustment from the lower price so that there would not be any unwarranted profits in the adjustment to the new and higher level.

By the Chairman:

Q. You took over all flax, too, didn't you?—A. Yes.

Mr. DOUGLAS (*Weyburn*): That is not the point. You made an adjustment so there would be no profits as between 70 and 90 cents. In the case of flax which was \$1.64 you stopped trading altogether on it. I am at a loss to understand why you stopped trading on flax and continued trading in wheat?

The WITNESS: The price of flax in Canada was fixed in relation to the product of the flax at \$1.64.

By Mr. Douglas (Weyburn):

Q. Fixed on the market?—A. Yes, at \$1.64. Flax had to be supplied to the Canadian crushers at \$1.64 so the product of the flax could be sold within the ceiling price.

Q. The government was subsidizing the balance?—A. That is right.

By Mr. Wright:

Q. They are continuing to do that?—A. The board are paying \$2.25 for flax and selling flax in Canada at \$1.64.

Q. How much are they exporting? There must be a considerable proportion of it exported because there are over 10,890,000 bushels grown and we only have crushing capacity for a little better than 5,000,000 bushels.—A. The requirements in Canada will be about 6,000,000 to 7,000,000 and the exports should run somewhere around 4,000,000.

Q. The profits made on the exports will be written off against the deficit?—A. They will not be as large as the deficit.

Q. No, they may not.

By Mr. McNevin:

Q. You deal with the minimum prices for barley and the minimum prices for oats, and then you go on over to the maximum prices of grain and the board's responsibility; that includes coarse grains, of course?—A. Yes, sir.

The CHAIRMAN: May we finish up with flax?

By Mr. Perley:

Q. Mr. McIvor, in connection with the last sentence about open trades were you short or long, and if you were long to whom did you sell?—A. What do you mean, were we short?

Q. It says open trades were closed out. You would be either short or long.

By the Chairman:

Q. You were not handling flax?—A. Mr. Perley means open flax was taken over by the board.

By Mr. Perley:

Q. All right, then; at what?—A. At \$1.64.

Q. You did not have any trading?—A. No.

Q. You took over all the flax?—A. That is right.

By Mr. Wright:

Q. Referring to flax your statement would indicate the farmers themselves are paying this bonus as far as subsidizing the price of flax to the crushers is concerned?—A. In what way?

Q. Because the profit being made on what is exported is being used to pay off—A. The flax account would show a loss over all. What the government have done, through the board they are paying \$2.25 for flax and that flax that is sold in Canada is sold at \$1.64. That is the biggest portion of the flax sales.

By Mr. Douglas (Weyburn):

Q. Before you go on from there, Mr. McIvor, through what branch of the government is that subsidy paid? Is it the wartime prices and trade board?—

A. No, the Finance Department authorize us, or the government authorize us, to pay \$2.25 for flax to producers. At the same time they instruct us to sell flax in Canada at a price that is appropriate to the sale of the finished products, and the meal and the oil, and that price is \$1.64.

Q. As to all this flax you sell outside Canada on which there is a profit you apply that profit against the deficit, which deficit is due to the fact that the government is subsidizing the crusher to give him cheap flax?—A. I do not know that I quite agree with your last statement.

By Mr. Wright:

Q. That is the way it appears to us, anyway.—A. It may, but here is the position. I appreciate your frankness, Mr. Wright, in regard to the matter, but the position is that the farmer in western Canada is being paid \$2.25.

Q. When he might be getting \$2.75 if the market in the United States was open?—A. That is another angle to the thing, but he is being paid \$2.25 fixed price for all the flax he produces in Canada.

By Mr. Douglas (Weyburn):

Q. Where could the Canadian crusher get flax for \$1.64 if he had to go into the markets of the world?—A. He probably couldn't, but on the other hand I am quite sure he would not sell his oil and meal at the price it is being sold.

Q. Somebody is being subsidized, either the crusher or the people who get the cheap meal.

Mr. McNEVIN: At the time the government took over and made the arrangement to pay a subsidy the price of flax was around \$1.64 in the dominion of Canada, and as far as retailing of the by-products of flax was concerned that was all tied in with the policy of supplying concentrates to the Ontario farmer within a price level which is very essential, yet not at the expense of the flax grower but at the expense of the government.

Mr. WRIGHT: Not in this case.

Mr. DOUGLAS (*Weyburn*): Any surplus that comes from export of flax is turned over to help meet the deficit.

By Mr. Evans:

Q. What is the duty on the price of flax?—A. 32½ cents.

By Mr. Donnelly:

Q. What is it across the line now?—A. The last Minneapolis price was around \$3. I do not know what it is to-day.

Mr. FAIR: That \$1.64 does not represent anywhere like a proper price, but it would be in line with the government's policy to keep prices where they belong.

The WITNESS: \$1.64 is the ceiling price. Putting it briefly this is the situation; the government at the outset of last year through the wheat board advised growers of flax they would pay \$2.25 for flax they grew and that any loss would be paid from the consolidated revenue fund.

Mr. ROSS (*Souris*): With regard to any flax they export to the United States what becomes of that extra price? Does that not go to offset any loss you have got?

Mr. DOUGLAS (*Weyburn*): That goes into the consolidated revenue fund.

The WITNESS: Yes, but it will not offset the loss.

Mr. ROSS (*Souris*): As far as possible it is supposed to offset the loss.

The WITNESS: It goes into the fund.

Mr. DOUGLAS (*Weyburn*): It is subsidizing somebody so he can get cheap flax.

Mr. ROSS (*Souris*): In contrast to what Mr. McNevin said the producer is absolutely subsidizing part of the price structure.

Mr. McNEVIN: He is not. We are back to the point that Mr. McIvor dealt with extensively as far as wheat is concerned. Over in the United States in Buffalo a haircut is 75 cents and a shave is forty cents. We are getting into a discussion of comparative prices, and we should take into consideration what a dollar will buy in the United States as compared to what it will buy here.

Mr. ROSS (*Souris*): But the producers' flax which is sold in the United States, the difference goes into this pot to make up this difference.

Mr. McNEVIN: The price of flax in Canada was substantially raised when the government agreed to pay \$2.25. Flax was not bringing that price in Canada at that time on the open market. That is the point.

By Mr. Wright:

Q. Is there any particular reason why this money that is made on the flax that is exported should not be placed in an equalization fund the same as the money made on the coarse grain to be paid out to the flax growers?—A. Remember this, on the equalization fund on the coarse grains that is a net profit. Whatever is paid on the coarse grains is a profit. This flax fund will show a loss.

Mr. DOUGLAS (*Weyburn*): I think a point that would be worth the board's consideration, or possibly representations might be made by this committee to the minister for consideration, is that the difference between \$1.64 and \$2.25 is a subsidy that ought not to be paid out by the wheat board. It ought to be paid by the wartime prices and trade board who are already paying millions of dollars in subsidizing certain industries in order that processors can get their raw materials at the same price they were getting them before, and that any profit that goes to the producer from grain which is exported and sold on a foreign market at a higher price ought to come back to the producer rather than to go as it is going now to subsidize cheap raw material for producers.

Mr. DONNELLY: If we are going into that question we are going into a question of policy and we would have to take into consideration the payment of \$2 an acre taken out of wheat. That would have to be added on to the price of flax as well that the farmer gets.

Mr. ROSS (*Souris*): It is not added on.

Mr. DONNELLY: Sure it is; he gets \$2 an acre on flax for taking it out of wheat and putting it into coarse grains.

By Mr. McCuaig:

Q. Is there a quota on the amount of flax sent to the United States?—A. No. I think, Mr. Chairman, this is getting a little beyond my field. It seems to me here is the position as I see it. The government in order to increase the production of flax took two steps. One, they froze flax at that time at \$1.64 which enabled many producers to buy their seed at \$1.64 and seed the crop of last year. Two, they made a contract with producers they would pay \$2.25 for flax to increase production. They also stated at that time—it is stated in the order in council—that it is the intention to sell flax in Canada at the appropriate price and to sell any surplus to the United States at whatever the market price is there, less the cost of getting it there.

By Mr. McNevin:

Q. That \$1.64 would represent approximately the price of flax at that time in Canada?—A. It was the price.

Mr. McNEVIN: That is what I maintain.

The CHAIRMAN: Any further questions on flax? Carried. We will proceed to the next section then. Any comments on eastern division, the bottom of page 7? Advisory committee; we had quite a discussion on that this morning.

Mr. DOUGLAS (Weyburn): Do not leave the eastern division. These eastern chaps have felt we have monopolized it so much.

Mr. McNEVIN: The situation so far as Ontario is concerned is that it is more or less in the same position as durum wheat in western Canada. There is a market in excess of the demand and therefore the price is higher than the set price so I do not think there is any necessity to waste time discussing it when it is not operative in the province of Ontario for this crop year at all.

Mr. EVANS: There was a payment made though on the 1941-1942 crop.

Mr. PERLEY: Did they not get participation on that?

Mr. McCUBBIN: There was nothing paid in 1942 or 1943.

By Mr. Donnelly:

Q. Has anything ever been paid in the eastern division?—A. Yes. What happened in 1941-1942 and 1942-1943 was that the price of Ontario wheat was so much higher than the guaranteed price that the government instructed the board not to handle wheat unless the price went down to the board price. The reason for that was that we did not want to be handling a little dribble of wheat and having all the expense of handling it when the price was so much higher. There was no board wheat handled in 1941-1942 or in 1942-1943. There was board wheat handled in 1939-1940 or in 1938-1939, on which a payment was made.

By Mr. Douglas (Weyburn):

Q. How much?—A. I do not just recall that, Mr. Douglas.

Q. Accounts for the east and the west were kept separately?—A. Yes. It is in our previous board reports.

Q. But only one payment was made?—A. Two payments have been made.

Q. No payments have ever been made in the west?—A. No.

By Mr. Perley:

Q. How much a bushel?—A. It was 2 or 3 cents a bushel, as I recollect.

By Mr. Ross (Souris):

Q. What is most of the eastern wheat used for?—A. Pastry flour.

Q. Practically all pastry?—A. Yes.

By Mr. Tustin:

Q. Do you handle any Ontario wheat at higher than board prices?—A. No.

Mr. CHAIRMAN: Can we proceed to the next section? Is there any further discussion with respect to the advisory committee? You will recall that we had considerable discussion on that this morning.

Mr. PERLEY: We are going to get some statements tabled in respect to that, are we not?

The CHAIRMAN: Yes, they agreed to table that information.

By Mr. McCubbin:

Q. Is there any member from Ontario on that advisory board?—A. Yes, Mr. Fred Pettapiece of Ault, Ontario—that is up near Chatham, I am informed.

Q. What are his duties on the board?—A. Well, in the old days when we handled Ontario wheat of course he was very much interested in that. Now, I might say that Mr. Pettapiece is one of the best members of our advisory committee.

Q. Thank you.—A. He is a very fine man and takes a very great interest in the work of the board; and, as a matter of fact, he brings in the eastern viewpoint to a board that is entirely composed of western men, apart from one other; I think he has had a tempering influence at times on some of the western members of the advisory committee.

Mr. McCUAIG: He would not have very much of a chance to do that, would he?

The WITNESS: Well, he does pretty well.

Mr. McNEVIN: I see that you have a minimum price on barley and oats; that on No. 3CW oats it is 42 cents and on No. 2CW barley it is 43 cents; there is also a maximum price—do you know that off hand?—A. It is 51½ on oats and 64¾ on barley.

Q. That is on the basis of Fort William?—A. Yes.

The CHAIRMAN: Those prices were set out in the order in council setting up this provision. I am sorry we have not got them here. Any members of the committee who may want it may have it, but I did not bring it down with me to-day.

Are there any further questions regarding the marketing of barley and oats? I thought some of these Ontario and Quebec members might be particularly interested in this respect.

Mr. WHITMAN: We are interested in passing the report.

By Mr. Perley:

Q. Was it expected that the board would take all of the oat crop in western Canada?—A. I said, within the limits of transportation, that we hoped delivery could be made.

Q. Is there any guarantee that they would do that before the end of the crop year?—A. No, we are doing the best we can and we are making great progress at the present time and hope to continue.

By Mr. Wright:

Q. There is a market available for the oats providing you get the transportation?—A. Yes.

Mr. Ross (*Souris*): I think the idea was to go through this report before we asked Mr. McIvor to make a statement with respect to the export of coarse grain and its handling?

The CHAIRMAN: I think we might just as well deal with it right here.

By Mr. McNevin:

Q. Before we leave this part of it, with respect to this maximum and minimum price; would that be in effect again this year or is there any change?—A. No change this year, the price is that which existed during the base period.

Mr. Ross (*Souris*): Mr. Gardiner made the statement the other day in the house that it would be on the same basis this year as last.

By Mr. McNevin:

Q. You said the price was 51½ on No. 3CW oats?—A. No. No. 2CW was 51½.

Q. No. 2CW?—A. Yes, it was 3CW in barley.

By Mr. McCubbin:

Q. How do you regulate prices in Ontario where you get a mixture of oats with some wheat; how do you arrive at the market price on it; how do you know what grade it is?—A. That would be what is commonly known as mixed grain; and the price of the oats would be the maximum of 51½ cents, and on the wheat it would be the market price for that particular grade, whatever it was, probably it would be low grade.

Mr. FAIR: But oats are permitted to contain up to 12 per cent wheat.

The WITNESS: Yes.

Mr. McCUBBIN: A lot of grain comes into the country which is oats with a lot of wheat in it.

The WITNESS: That would be mixed grain—probably No. 2 feed oats or No. 1 feed oats.

Mr. McNEVIN: There is a certain amount of wheat in all kinds of feed oats.

The WITNESS: Surely.

The CHAIRMAN: Mr. Wright was asking a question with respect to the equalization fee in connection with the export price of both barley and oats. Perhaps we could deal with that now under this same heading.

Mr. ROSS (*Souris*): And explain exactly how it is handled and how it is to go back to the producers who are entitled to receive it.

The WITNESS: I think, Mr. Chairman, as this is an important matter I should read a statement put out by the board. It is a little long but I believe I should read it to the committee.

The CHAIRMAN: I think it would be well to get it down clearly so it will be generally understood.

The WITNESS: This statement was issued on the 15th of April:

On Tuesday, April 6, 1943, the Hon. James A. MacKinnon, Minister of Trade and Commerce, made an announcement in the House of Commons outlining the government's policy in connection with the export of coarse grains.

In his statement Mr. MacKinnon advised that in the opinion of the government it was necessary for the price ceiling on oats and barley to be maintained in order that these grains could still be marketed in the Canadian domestic market at prices in accordance with the national price control policy. Mr. MacKinnon further stated that to the extent that coarse grains can be exported at prices above our ceiling levels, the government had sought to develop a workable basis which would give producers who sell coarse grains the advantage of any higher export prices on the coarse grains that are actually exported. To implement this policy the Canadian Wheat Board has been instructed to set up two special funds into which equalization fees for oats and barley, respectively, will be paid. These funds, in turn, will be distributed at the end of the crop year on a pro rata basis to the western growers who deliver these grains in the period, April 1 to July 31. By this method growers who sell their oats and barley will receive in effect a combined price which reflects the domestic price on that portion of their sales which has been disposed of in the domestic market and the export price on that portion which has been disposed of in the export market.

To implement these governmental policies, the following instructions, dealing with the issuance of export permits and the collection of the equalization fees, are now effective. These instructions may be varied or revised if at any time the Canadian Wheat Board considers such action necessary.

1. All permits covering the export of oats, barley, rye and flaxseed (western grain grades only) to the United States will be issued by the Canadian Wheat Board. This regulation applies to the above grains whether in their natural state, as well as ground, pulverized, crimped, crushed, or similarly processed.

2. All permits covering the export of oats, barley, rye and flaxseed to countries other than the United States will still be issued by the export permit branch, Ottawa.

3. Export permits presently outstanding, which carry an expiry date of May 31, 1943, will not be extended.

4. Permits issued by the Canadian Wheat Board will be issued to expire July 31, 1943.

5. As in the past, a separate fee of \$2 for each application in excess of \$100 payable to the Receiver General of Canada, must accompany each application.

6. When submitting applications covering shipments to be made in partial lots, the applicant must state the name of his nearest collector of customs, or the customs office at which he wishes to have his partial shipment forms or export entry forms validated, in order that partial shipments may be made in accordance with usual partial shipment procedure.

Equalization Fees on Oats and Barley

7. The Canadian Wheat Board will determine the daily equalization fee to be charged for oats and barley. The daily fee for each day's permits, Monday to Friday, will be determined by 2.30 p.m. Central Daylight Saving time, and on Saturday by 1 p.m., and information as to the daily equalization fee can be secured from the board's offices at Winnipeg, Vancouver, Calgary, Toronto, or the office of Wm. H. Johnson, Jr., Montreal, at that time.

8. The daily fee will remain in effect until 1.30 p.m. central daylight saving time the following market day, Monday to Friday, and until 12.30 p.m. Saturday, and in order to secure export permits, it will be necessary for the export applications to be submitted to any of the board's offices prior to that time. The board reserves the right to change this basis at any time by giving the companies twenty-four hours' notice.

9. No person will be allowed to apply for export permits for any one kind of grain in quantities in excess of 100,000 bushels each day at the daily equalization fee. If larger quantities are required, the board will consider applications on their merits, but the equalization fee on these amounts may be varied at the board's discretion.

10. When making application for an export permit, in addition to the \$2 fee, a certified cheque payable to the Canadian Wheat Board must be attached covering the value of the equalization fee for the exact number of bushels covered by the application, figured at the daily rate in effect at the time the application is received at the board's office, or at the rate previously arranged with the board under clause No. 9.

11. The Export Permit Branch, Ottawa, which will be issuing the export permits covering shipments to countries other than the United States, will also be in a position to advise exporters the daily equalization fee (western grain grades only) and in cases where western grain is being exported will issue the permits on the definite understanding that the equalization fee will be remitted at once to the Canadian Wheat Board, Winnipeg.

12. Each export application is to be confined to one kind of grain only.

13. Export permits may not be transferred between companies.

14. Once an export permit is applied for, approved, and the equalization fee collected, it cannot be cancelled, and the board will not refund the equalization fee collected, even though the applicant later decides not to export the grain. The board will, however, arrange to adjust the equalization fee in connection with over or under shipments, subject to the tolerance allowance as provided for in export permit regulations (refer amendment No. 22 to regulation No. 20, now renumbered regulation No. 19, issued March 13, 1943).

15. It will be necessary for exporters, when completing export entry forms (B.13), covering shipments being completed on new permits issued by the board, as well as shipments being completed on old permits previously issued by the Export Permit Branch, Ottawa, to prepare an additional copy, which is to be certified correct by an official of the company and forwarded immediately to the Canadian Wheat Board, Winnipeg, for the attention of Mr. J. F. Fraser. These forms will be used to determine the actual quantity of grain exported and as a basis for any adjustment of the equalization fee that may be necessary. The number of the export permit on which the shipment is being applied must be clearly shown on the form (B.13).

By Mr. Perley:

Q. Is there any possibility of a producer securing a permit and shipping to an American firm?—A. Yes; if he pays his fee.

By Mr. Wright:

Q. How do you work out the equalization fee?—A. We have daily postings on the market at the points of export where the grain is exported. We figure out the cost of moving the grain, and fix the fee accordingly.

Q. Have you any objection to tabling, and putting it on the record, exactly the method that you use?—A. No.

The CHAIRMAN: At that point, Mr. McIvor, might I ask if the equalization fee is not likely to be changed from one day to the other?

Mr. WRIGHT: Oh, yes. But they must use some formula.

The CHAIRMAN: Oh, yes. You want the items that go into making up the fee?

Mr. WRIGHT: Yes.

The CHAIRMAN: Very well.

The WITNESS: Well, the method is a very simple one; at least, it is to us.

By Mr. Wright:

Q. I think it should be in the committee's record of proceedings, so that we will be able to have it.—A. For example, each day we get advices of the price of grain at Buffalo, which is the eastern point where most of this grain, the lake grain, moves. Then our sales manager knows the costs every day and he figures out the exchange—that is, the American exchange, which is approximately 10 per cent. He takes the Buffalo price and he deducts from that price the cost of shipping, including insurance, lake freight and the costs of loading. Then he compares that price with the spot price at the lake head, and arrives at the basis of the equalization fee.

Q. But in some cases in this country the cash price of grain is often out of line with the— —A. The option or future?

Q. Yes, the option price. Which do you use?—A. The cash price.

Q. You use the cash price?—A. Yes. That is the actual grain.

Q. That makes a difference—A. Yes.

By Mr. McCubbin:

Q. What duty is there upon grain?—A. It depends entirely on the grain. What is the duty on oats and barley, Mr. Wilson?

Mr. C. F. WILSON: The duty on oats is eight cents in American funds. It is an American duty. On barley, it is fifteen cents per bushel.

Mr. McCUBBIN: How would you work out mixed grain, or is that mixed grain, straight oats or straight barley?

Mr. WILSON: Straight oats is eight cents; straight barley is fifteen cents.

Mr. McCUBBIN: You do not know about mixed grain?

Mr. WILSON: I do not have any.

The WITNESS: They would not be buying mixed grain.

By Mr. Ross (Souris):

Q. Mr. McIvor, I am not just clear yet as to how this goes back to the producer. Suppose Mr. Wright sells his grain on the open market and I sell it to one of these people. Do we all share alike, all the producers?—A. Yes. The total amount that will be collected in the prairies, for example, or on eastern shipments, will be pro-rated over the deliveries and sales that have been made between the 1st of April and the 31st of July.

Q. All sales in Canada to any grain company?—A. Yes.

By Mr. Perley:

Q. That would just apply to this last crop?—A. Yes.

Q. So far?—A. Yes.

By Mr. Douglas (Weyburn):

Q. How would it be paid back? You have a record of every sale?—A. The elevator companies have a record of the deliveries, the cash tickets that have been made out, and those records will be made available to us.

Q. There will be a sort of participation certificate, even for those who have not sold to the wheat board?—A. There is none of that sold to the wheat board.

Q. To people who are not normally dealing with the wheat board, but to people who are selling in the open market, you will be giving a sort of participation certificate?—A. Yes.

By Mr. Ross (Souris):

Q. Every grain company in Canada reports purchases to you?—A. Yes. The matter has been discussed already with the representatives of the producers companies and the other companies and they are going to arrange to give us the names of those that deliver and the quantities.

By Mr. Perley:

Q. Is any of that going from the lakes?—A. Yes.

Q. Do American vessels come up there? Are they permitted to come for it?—A. Yes. American vessels are very scarce, but they are sending some up to pick up this grain.

By Mr. Fair:

Q. How long after the end of the crop year will that redistribution be made or the distribution of the surplus?—A. Well, it cannot be made until the grain that has been delivered in that period has all been sold. I do not know how long it will be. I hope it will be soon after the end of the crop year.

By Mr. Wright:

Q. What was the equalization fee on the 1st of June?—A. The 1st of June?

Q. Yes.—A. I am sorry, I do not know. I could find out for you. I do not know what it was.

By Mr. Douglas (Weyburn):

Q. Is there anything else that enters into it? Take the man who is exporting. You take the price at Fort William?—A. Yes.

Q. Cash wheat?—A. Cash oats and barley.

Q. There would be added to that these things. You take the price at Buffalo?—A. Yes.

Q. In Canadian funds?—A. Yes.

Q. And then you reduce that by subtracting from the Buffalo price in Canadian funds the cost of shipping, and insurance. Would there be anything else? Is there any allowance made?—A. Yes.

Q. That is, you allow for normal profits?—A. Their normal profits are allowed.

Q. How is that worked out? Is there a percentage?—A. No. I might say also to the committee that as soon as it was possible after this policy was announced, our sales manager made a trip to the United States, including Buffalo, and arranged to get daily postings, direct, on what the markets paid at those points. He makes a calculation as to what he thinks is a normal profit and the equalization fee is based on the difference, less that calculation.

Q. How is that profit arrived at? He must have some standard basis so as to apply it to all cases.—A. It depends entirely; it does not apply equally to all cases, because there is a variation in the amount of service there is in the handling of this grain.

By Mr. Perley:

Q. There is a service charge?—A. No, there is no service charge.

Q. Commission has to be taken into consideration?—A. It is not commission, it is what I call normal profit. For example, malting barley is much more difficult and more expensive for a company to handle than feed barley; sometimes some of this grain requires to be specially binned, and all of that has to be taken into consideration.

By Mr. Douglas (Weyburn):

Q. When I said you would not handle all cases alike, I did not mean all grains alike, I meant if half a dozen different exporters called the office in the same day and wanted to export barley, let us say, the fee would be the same for each of them?—A. That is correct.

Q. There must be some standard basis on which they work out what the profit will be for barley?—A. He calculates what he figures would be a normal profit under normal conditions.

Q. What would that be on barley in any one day?—A. It would vary according to the amount of work that the company would have to go through in the handling of that particular grain. Some of it is very simple and others are quite complicated; it probably would vary from half a cent to a cent and a half on barley, oats probably the same.

Q. I do not follow Mr. McIvor, Mr. Chairman. You said the equalization fee would be the same in each of these half dozen cases; the amount of work would be the same in each of these half dozen cases; the amount of work each firm may do may vary.—A. Yes, I agree, but it would be the same for malting barley one company to another; it would be the same for feed barley one company to another; the same for oats one company to another, depending on the—

Q. Yes. Can we take a specific case of oats or malting barley or feed barley and get a breakdown of what the price was at Fort William, say, on the 1st of June or what the price was at Buffalo and how the spread in between was divided, how much went to equalization, how much went to transportation, and how much to insurance, and how much in the handling charge was profit?—A. Yes, I can get that for you.

The CHAIRMAN: I think that would be a desirable statement to have on the record.

The WITNESS: I am sorry I have not it now.

Mr. DOUGLAS (Weyburn): Perhaps we could have it to-morrow.

By Mr. Perley:

Q. Firms buying in the country would calculate everything they did on a cash price with these figures?—A. No.

The CHAIRMAN: No, they would not buy above the ceiling.

The WITNESS: They cannot buy above the ceiling; that is when grain is sold at the lakehead.

By Mr. Perley:

Q. It fluctuated a little; the price fluctuates a little from day to day?—A. Mostly that is grain that is very close to the ceiling.

By Mr. Douglas (Weyburn):

Q. How soon after a man gets the permit must he ship that particular load of grain for which he gets the permit?—A. It depends on the terms of the contract. He may be fortunate enough to get a boat and ship immediately or he may have to carry it for a month before he can get a boat.

Q. If the price varies in the meantime what then?—A. It is fixed because he has made his sale; the sale has been made in accordance with the particular terms.

Q. The sale is already made at the time the equalization fee is paid?—A. Yes.

Q. Did I understand you to include flaxseed?—A. There is a demand for flaxseed.

Q. You are not permitting flaxseed to be exported now?—A. Yes, we are permitting the export of flax, but it does not come under the equalization fee; that is direct sale by the board.

Q. You are not permitting private exporters to export flaxseed?—A. No.

Mr. EVANS: Oats and barley are the only ones that come under the equalization fee?

The WITNESS: Yes.

The CHAIRMAN: There were a good many farmers near the boundary who trucked their own grain across or arranged to have it trucked across the line and sold in the United States. Would there be a different arrangement relating to the issue of a permit than would be the case in ordinary trade practices?

The WITNESS: No, they have to get a permit the same as anybody else.

By the Chairman:

Q. What about the prices in the different markets in the United States? You mentioned Buffalo. Do you get a similar price there or is it a relative price, with places like Chicago or some other place, and if there is a difference between the two prices how do you handle your permit?—A. The Buffalo price presently is higher than the price of grain going into the middle west. We have to use both outlets; within the limits of transportation we are allowed as much grain as we can handle in American cars to go across the line to the middle west; we also arrange for as much to be loaded as possible on freight boats to the lakehead; but there are two equalization fees and the Buffalo fee is higher than the middle west.

Mr. PERLEY: Mr. Chairman, may I suggest if we are through with this subject that we adjourn now? Some members have letters to sign and the staff goes off at six.

The CHAIRMAN: Well, I am grateful to you for your attendance this afternoon.

Mr. DOUGLAS (*Weyburn*): Before we leave that maybe Mr. McIvor would want to give us some further information on the equalization fee. There is a good deal of interest in it, as to how much money has come in. It may be that he would prefer to leave that until we are discussing this year's account.

The WITNESS: I feel that should be left to this year's account.

The CHAIRMAN: We shall adjourn now to meet to-morrow afternoon at 4 o'clock.

The Committee adjourned at 5.45 p.m. to meet to-morrow at 4 o'clock p.m.

CAI
XC12
A48

SESSION 1943
HOUSE OF COMMONS

STANDING COMMITTEE
ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 4

WEDNESDAY, JUNE 9, 1943

Reference
REPORT OF CANADIAN WHEAT BOARD FOR
CROP YEAR 1941-42

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board.
Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



MINUTES OF PROCEEDINGS

WEDNESDAY, June 9, 1943.

The Standing Committee on Agriculture and Colonization met this day at 4.00 p.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Black (*Chateauguay-Huntingdon*), Blair, Cloutier, Donnelly, Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Gregory, Henderson, Lafontaine, Leader, Leger, McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Nielsen (*Mrs.*), Perley, Rheaume, Rickard, Ross (*Souris*), Soper, Weir, Whitman, Wright.—28.

In attendance: Mr. George McIvor, Chairman, Mr. R. C. Findlay, Comptroller, and Mr. Clive Davidson, Statistician, all of the Canadian Wheat Board.

Minutes of the previous sitting were read and, on motion of Mr. McCuaig, adopted.

Mr. McIvor was recalled and further examined on the Report of the Canadian Wheat Board, crop year 1941-1942.

Mr. Findlay was also recalled and further examined on the said Report.

The Committee having concluded its consideration of the Report, a vote of thanks and appreciation was extended to members of the Canadian Wheat Board, on motion of Mr. McNevin, seconded by Mr. Perley, and the witnesses were discharged.

It was agreed that the Steering Committee draft a report on the Committee's inquiry into the Report of the Canadian Wheat Board, said report to be submitted to the Committee at a later date.

On motion of Mr. Golding the Committee adjourned until to-morrow, June 10, at 11.00 a.m., when the Steering Committee will report on procedure in connection with future sittings of the Committee.

R. ARSENAULT,
Acting Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 9, 1943.

The Standing Committee on Agriculture and Colonization met this day at 4 o'clock p.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: If the committee will kindly come to order we will proceed.

GEORGE McIVOR, recalled.

The CHAIRMAN: Yesterday we were dealing with the equalization fee in connection with the sale of coarse grains to the United States. I think Mr. McIvor had proceeded part way through the discussion of that matter. Perhaps we should continue from there to-day. Will that be satisfactory to the committee?

Mr. WHITMAN: Page 10.

Mr. McNEVIN: Page 11.

The WITNESS: It is not in the report.

The CHAIRMAN: It is not in the report but it arises out of the 1942-1943 programme on pages 8 and 9. May Mr. McIvor then continue? Very well.

The WITNESS: Mr. Chairman, before we adjourned last night Mr. Douglas asked me to get the break-down of the figures and costs for the movement of coarse grains to Buffalo and to the middle west. Is it your wish I should read this wire? I have the figures here, Mr. Chairman.

The CHAIRMAN: I think the committee would desire to have that information placed on record. These are the details of how the equalization fee is made up when the shipper comes forward to secure a permit for the right to ship grain to the United States.

The WITNESS: "The following are the figures re equalization fee on oats on June first"—June 1st, I might say, was the date that Mr. Douglas asked for the break-down—"destination Eastern American lake ports; cost oats $51\frac{1}{2}$ store Fort William."

By the Chairman:

Q. That is the ceiling price.—A. Yes.

Lake freight 6c, lake shippers charges regular insurance war risk insurance etc 2c, carrying charges customs fees etc $1\frac{1}{2}$ c, total 61c; plus $6\frac{1}{2}$ equalization fee, totals $67\frac{1}{2}$, against sales $68\frac{1}{4}$ CIF Canadian funds bonded stop for June 7 same costs totalling 61 as above, plus equalization fee totals 71 against $71\frac{1}{2}$ CIF Canadian funds bonded stop June first destination Minneapolis area; cost cash oats $51\frac{1}{2}$ basis Fort William freights paid plus $6\frac{1}{2}$ additional freight Minneapolis, plus $1\frac{1}{2}$ diversion premium, 1c charges, $\frac{1}{2}$ c loss in weights and discounts for offgrades, totals 61 plus equalization fee 4c, equals 65 against $66\frac{1}{2}$ Canadian funds in bond on track Minneapolis stop for June 7 same costs total 61 plus equalization fee 7c, totals 68 against $68\frac{1}{4}$ Canadian funds in bond on track Minneapolis stop for barley destination eastern US lake ports June 1 costs cash barley $64\frac{3}{4}$ in store Fort William, plus $6\frac{1}{4}$ lake freight, plus 2c lake shippers

charges etc, plus $1\frac{1}{2}$ carrying charges customs fees etc, totals $74\frac{1}{2}$ plus equalization fee $5\frac{1}{2}$, total 80 against 81 CIF Canadian funds bonded stop for June 7 same costs totalling $74\frac{1}{2}$ plus equalization fee 10c equals $84\frac{1}{2}$ against nominal quotation 86 CIF Canadian funds bonded but was no actual bid this grain that day stop June first destination Minneapolis area, cost cash barley $64\frac{3}{4}$ basis Fort William freights paid, plus $8\frac{1}{4}$ additional freight to Minneapolis plus $1\frac{1}{2}$ diversion premium, plus 1c charges, totals $75\frac{1}{2}$ plus equalization fee 3c equals $78\frac{1}{2}$ against $79\frac{1}{4}$ Canadian funds in bond on track Minneapolis stop for June 7 same costs totalling $75\frac{1}{2}$ plus equalization fee 7c equals $82\frac{1}{2}$ against 83 Canadian funds in bond on track Minneapolis.

By Mr. Perley:

Q. What would you indicate to the committee from that to be the amount paid?—A. The total amount?

Q. Yes.—A. I do not know.

Q. What would be the distribution?—A. I do not know what it would be.

Q. Have you any idea?—A. No.

The CHAIRMAN: There is a difference there of several cents a bushel in one week's time.

Mr. DONNELLY: Is that freight on oats from Fort William down to Buffalo?

By Mr. Perley:

Q. What is the lake freight that you mentioned?—A. The lake freight on oats is 6 cents.

By Mr. Donnelly:

Q. That is very high, is it not?—A. The barley freight was—

Mr. PERLEY: Was 4 cents.

Mr. DONNELLY: No, 6 cents.

By Mr. Perley:

Q. That is a pretty high freight rate?—A. The bulk of this grain is carried in American bottoms.

By Mr. Donnelly:

Q. This insurance of 2 cents a bushel is pretty high?—A. The lake shipper's charges include loading out charges at the lake head; lake shipper's charges plus regular insurance plus war risk insurance.

By Mr. Evans:

Q. What constitutes the $1\frac{1}{2}$ cents carrying charges, etc?—A. The $1\frac{1}{2}$ cents is the cost of carrying the grain until such time as a boat appears to load it.

Q. That is after the sale is made?—A. Yes.

By Mr. Wright:

Q. What is the diversion premium?—A. That is the premium that is charged by the elevator companies, including the producers' organizations; what is called "in lieu of terminal earnings."

By Mr. Perley:

Q. What is the amount of that again?—A. $1\frac{1}{2}$ cents.

Br. Mr. McNevin:

Q. With regard to the final payments or distribution that will be affected, of course, by the percentage of grain that is sold at that higher price, also taking into consideration a very large amount that is sold at the regular price at Fort William?—A. That is right.

Q. It would be impossible to tell in between?—A. I have not the faintest idea what the final earnings will be.

Q. I do not think it could be arrived at at all.

By Mr. Evans:

Q. Is there much of our coarse grain that goes to Ontario moved by boat now, and what rate would it be? Have you that information?—A. I can get it. It is lower than the Buffalo rate.

By Mr. Perley:

Q. What is the average cargo, the number of bushels?—A. The average cargo of oats, Mr. Perley, including all sizes of boats would run about 400,000 bushels of oats.

Q. Six cents would be pretty profitable?—A. I might say, Mr. Chairman, that the bulk of these boats are American boats, and I am quite sure if the grain shippers did not care to charter them at the going rates there would be plenty of places to charter them.

By Mr. Donnelly:

Q. What is the rate for freight going into Minneapolis? You said 4 cents, did you not?—A. No. the additional freight over and above the Fort William rate on oats, Dr. Donnelly—

Q. To Minneapolis?—A. It is 6½ cents.

By Mr. Perley:

Q. That is additional?—A. Over the Fort William rate.

Q. That is a pretty heavy rate, too, is it not?—A. That has always been the tariff. That has always been the tariff rate.

By Mr. Evans:

Q. That is all rail to Minneapolis?—A. Yes.

By Mr. Perley:

Q. What is the distance from the Moose Jaw area to Minneapolis as compared with Fort William?—A. I do not know exactly what the mileage would be.

Q. Seven hundred or eight hundred miles to Fort William, is it not? It is not any farther than that to Minneapolis?—A. I think that the facts are—I am not certain as to this—that your Fort William rate comes under the Crow's Nest agreement and your Minneapolis rate is a mileage rate.

The CHAIRMAN: Any further questions on this particular matter? Carried. Mr. McIvor has another bit of information that perhaps the committee would be interested in having. He may as well present it at this time.

The WITNESS: I have a telegram, gentlemen, to say that all wheat quotas are now 15 bushels.

All wheat quotas now 15, cars being authorized for every point to permit the shipment of sufficient wheat to complete the quota.

Then he adds:

Movement of course will still be governed by available cars, but cars are being authorized to take care of congested points.

The CHAIRMAN: Can the committee then proceed to the next heading on page ten, adjustment of Canadian wheat stocks to higher price levels?

Mr. McNEVIN: That matter was pretty well explained.

The CHAIRMAN: Any further questions on this?

By Mr. Perley:

Q. Mr. McIvor, just with respect to this would you outline who was consulted with respect to this change in the adjustments? Was anybody else outside of your board and the wheat committee of the cabinet consulted, any organization such as the pools or any grain companies?—A. No, sir.

Q. No one offered any suggestions with respect to that?—A. No, sir; they were not consulted.

Q. Did your advisory committee come in on that at all?—A. The matter was discussed with the advisory committee later. It was necessary to take immediate action and I think the matter was discussed afterwards, but we had to take immediate action. The board was in Ottawa and we had to take immediate action.

By the Chairman:

Q. It was a matter of government policy as to what was done?—A. Yes.

The CHAIRMAN: Any further questions with respect to that section of the report? Carried. The next one is maximum prices of grain.

Mr. McNEVIN: We also dealt with that yesterday.

The CHAIRMAN: Sales to the United Kingdom.

By Mr. Perley:

Q. Mr. McIvor might give us a little information with respect to this. I think the minister reported on three sales that had been made to the United Kingdom amounting to 300,000,000 bushels, did he not?—A. The information is contained in the report here.

Mr. WHITMAN: Two of 120,000,000.

The WITNESS: There were two sales made prior to that. My recollection is—I cannot be certain because I am drawing on my memory—that the first sale was 50,000,000 and the next one was 100,000,000 and then there were two sales of 120,000,000.

By Mr. Perley:

Q. In your next item here you mention your London representative. Would you indicate if your officer over there played any part in negotiating the sales, and what part did your exporters play? Did they play any part in negotiating? I do not mean the shipping or delivery of it.—A. Any negotiations were carried on through our own man in London.

Q. It did not involve any extensive switching of options or anything like that?—A. They were sales that were made after negotiations by our own officer in London.

By Mr. Donnelly:

Q. Did you say there was a 50,000,000 sale and a 100,000,000 sale besides this?—A. My recollection—

Q. Why would they not be in this?—A. They are contained in the previous reports. They were made prior to this year.

Mr. WHITMAN: That was not a 1941-1942 sale.

By Mr. Donnelly:

Q. That is not the 1941-1942 crop?—A. No.

Q. I thought that belonged to this crop.—A. Mr. Perley asked me about all sales and I was going back.

The CHAIRMAN: Are there any further questions on the United Kingdom?

Section agreed to

Now, we come to the London office:

By Mr. Perley:

Q. That is the only representative the board or the government has over there?—A. It is the only representative the board has.

Q. Is there any other Canadian representative over there who deals with grain at all, assisting in the marketing of our grain or selling to Britain direct?—A. No, not that I am aware of.

Q. Then, in addition to that, have the United Kingdom Ministry of Food a representative now in Canada?—A. I understand they have, yes.

Q. Where is he stationed?—A. They have a representative I think here in Ottawa; but, they do not have anything to do with wheat.

Q. They have nobody here to handle wheat?—A. No.

Q. Well then, any sales that are made through the exchange with respect to wheat, where do they get the authority to deliver the wheat; is it from you, or the shipping board?—A. I think I better read to you about ten pages from last year's report.

Mr. Perley: No.

The WITNESS: There has been no change in the situation.

By Mr. Perley:

Q. Well, you say there has been no change.—A. The situation is exactly the same.

Q. Then I suppose the arrangement in respect to shipping, loading the vessels and so on remains the same?—A. Yes, there is not a single change in the method of handling from the arrangements in effect last year.

Q. And the only representative they have is here in Ottawa, and one in Montreal; any in Winnipeg?—A. They have no representatives in Canada which I said last year; they have no representative in Canada dealing with wheat other than a firm in Montreal known as Thompson and Earle who are responsible for the loading of the boats.

Q. And these sales then are negotiated through their representative in London?—A. That is right, through our representative.

The CHAIRMAN: Shall we pass on to the next one, Pacific coast:

By Mr. Donnelly:

Q. To whom would that be sold at the Pacific coast?—A. It is the odd cargo that is loaded on to boats being built there and moving over into the Atlantic.

Q. You mean down through the Panama canal?—A. Through the Panama canal, yes.

The CHAIRMAN: Churchill:

By Mr. Perley:

Q. How about the Churchill space, it is filled is it not?—A. Yes, it is. We do not see any prospect at the moment of moving any wheat from Churchill.

Q. When was the last wheat moved out of Churchill?—A. In the fall of 1939.

The CHAIRMAN: And you filled up the bins then.

By Mr. Fair:

Q. Has there been any deterioration in the grain stored in Churchill since that time?—A. Our information is, "no", Mr. Fair.

By Mr. Donnelly:

Q. Has there been much trouble in wheat stored in temporary bins in the country?—A. Remarkably small.

Q. That matter caused quite a lot of alarm in the grain centre at one time I believe.—A. Yes, there is the odd bit of trouble, but it is not serious.

By the Chairman:

Q. I was just going to ask one question—I am kind of offending the procedure here—you charge an equalization fee of \$2 for these permits to ship grain to the United States?—A. That is not an equalization fee.

Q. Whatever it is, you charge \$2 for a permit?—A. Yes.

Q. Is that revenue to the board?—A. No, that has nothing to do with the board, that is a charge by the permit branch.

Q. Are they in Ottawa?—A. Yes, they are a branch of the Department of Trade and Commerce.

The CHAIRMAN: I was just thinking about that, that it was reacting a little bit against sales.

By Mr. Evans:

Q. A farmer who ships oats or barley to the United States would have to pay an equalization fee, would he not?—A. Yes.

The CHAIRMAN: Now, gentlemen, we have come to the end of the general statement in the report and we are back to where Mr. Findlay was dealing with the accounts procedure here before the committee.

Mr. Ross (*Souris*): Before you go on with that, Mr. Chairman, I wonder if Mr. McIvor would make a statement with respect to the increase in the amount of deliveries authorized on durum wheat; I understand now that these are greater than the quota.

The CHAIRMAN: Mr. Ross, that was dealt with yesterday when Mr. McIvor made a statement. It will be in the records when they are printed. The whole thing was explained yesterday and dealt with; I am sorry.

Can we stand Mr. McIvor down?

Mr. PERLEY: Just a moment, please.

By Mr. Perley:

Q. There is no particular change in this agreement is there, that is as it applies to storage?—A. You mean, the general agreement; that is, the handling agreement?

Q. Yes.—A. The storage rate was reduced from 1/45 to 1/50; and the handling charges were reduced from 4 cents on the higher grades and 5 cents on the lower grades to 3 cents.

Q. And the handling charge on the higher grades, 1, 2 and 3, what is that?—A. They were last year 4 cents, now 3; the lower grades last year were 5 cents and now are 3.

By the Chairman:

Q. Could you explain that item a little further. I think the committee would be particularly interested in that, because they made a recommendation in last year's report with respect to the elevator agreement; and in particular the street spread, and also the number of bushels allowed to be considered a car load. Was there any change in the agreement with respect to these items?—A. The street spread was reduced in the higher grades from 4 to 3.

Q. Is there any difference now between the street spread and the track price of wheat in the elevator agreement?—A. No, the 3 cents is practically a car lot basis.

By Mr. Donnelly:

Q. What percentage of wheat last year do you imagine was handled in car lots, and what was street—just a rough estimate?—A. I think I will ask Mr. Findlay to answer that for you.

Mr. FINDLAY: At the outside 10 per cent; I would think the outside figure would be 10 per cent—the balance would be street.

Q. The balance would be street?—A. (Mr. Findlay) Yes. If you take in the 750 bushels which was allowed for a car lot, it would probably go up to 20 or 25 per cent.

By Mr. Perley:

Q. Does not the quota delivery system prevent a farmer from taking advantage of shipping in carload lots; is it not a fact that on account of the quota delivery arrangement he cannot get space at the elevators?—A. I think that is quite true, but the charges are now considerably reduced.

By Mr. Donnelly:

Q. What was the difference between the street and carload lots last year?—A. I would say that it would be about a cent a bushel on the average.

Mr. DONNELLY: We recommended here in this committee; I think it was brought up by Mr. Fair, if I remember correctly; that the carload lot should be reduced from 750 to 500; and then there was a further recommendation that it should be cut out entirely and we did ask that the carload lot be done away with and the spread eliminated; and in that way we saved a cent a bushel on about three parts of the wheat shipped from farms.

Mr. FAIR: Would Mr. McIvor explain what steps have been taken to bring about a reduction?

Mr. DONNELLY: I was just going to ask him that.

The WITNESS: I will have to draw on my memory just a bit, although I think I am fairly accurate on the sequence of events; I will give it as best I can: at the outset I personally had a telegram from—

Mr. DONNELLY: I just want to draw to the attention of the committee that here I have the records of what took place last fall.

Mr. FAIR: I wonder, Mr. Chairman, if the witness could give us that instead of some of the members; in that way we will be able to get it authentically.

The CHAIRMAN: Mr. McIvor can answer your question.

Mr. DONNELLY: I was just going to ask Mr. McIvor a few questions, if I might, in connection with that very thing. Now, we here in this committee, if I remember rightly, recommended that this difference between street wheat and carload lots be done away with and that they both be handled as carload lots. I have in my hand here a copy of the report which appeared in the *Calgary Herald*.

Mr. FAIR: I wonder if Mr. McIvor could answer my question?

Mr. DONNELLY: I was asking questions when you butted in; just let me ask my question and then you can ask yours. I have in my hand here a clipping from the *Calgary Herald*, dated April 8, 1942, where Mr. Purdy says that "the pools introduced the idea" of doing away with the difference between street price and carload lots. I maintain, Mr. Chairman, that that is not correct; that the idea originated in this committee by Mr. Fair himself, right here, and not Mr. Purdy. If Mr. Purdy says that he was the one who originated the idea, or that the pools were, they are trying to take credit for what is coming to this committee. This committee was the one which in our recommendations of last year asked that this difference between the street wheat and carload lots be done away with. It was done away with, and it was without the pools

starting it at all. I will say this, that the pools were the first to agree to what we recommended; and the pools did at that time agree to do what we recommended, and agreed to do away with the difference between the street wheat and carload lots. Arising out of that and immediately after they did that the Midland-Pacific made representations to the government to do away with or reduce charges; and they were followed by the Pioneer Grain Company—and I have all the material here which shows where they said they agreed to cut it by a cent or a cent and a half—and then there was the Alberta Pacific, the Reliance Grain, the National Grain, Western Grain Company, the Alberta Pacific, Federal and National; they all agreed to reduce the rate from a cent to a cent and a half. If these charges could be reduced the difference would mean a great gain to the farmers in that cent to a cent and a half. And the first start in that change was made right here; it originated, I say and I maintain, right here in this committee last year. And by effecting a saving from a cent to a cent and a half to the farmers of western Canada, as applied to their 280,000,000 bushels, it represents between \$2,800,000 and \$4,200,000; and don't forget that was the work that we did right here in this committee.

Mr. FAIR: Could I have an answer to my question now, Mr. Chairman?

The WITNESS: Mr. Chairman, I am quite willing to say at the outset that the first suggestion came from this committee on the reduction of the charges.

Some Hon. MEMBERS: Hear, hear.

The WITNESS: Then, when you go from there, it is rather the old question of which came first, the hen or the egg.

By Mr. Perley:

Q. Who made the suggestion first to this committee that the service charges be reduced?—A. Probably you remember that better than I would.

Q. I think I did; so we better have that on the record—and I did not become very popular for doing so either.

The WITNESS: What happened, answering Mr. Fair, was the first indication I had of any suggestion that the charges be reduced was a telegram that came from Calgary where a meeting of the pool's central selling agency was taking place or, I should say the central board of the wheat pools.

By Mr. Donnelly:

Q. That was in the week of July 20th.—A. Yes. I do not recall the date, it was in the early part of the summer.

Q. Well, it was the week of July 20th.—A. As I recall the suggestion—and again I am speaking from memory—but as I recall it it was pool's suggestion that the street spread be reduced by $\frac{1}{2}$ cent per bushel on all grades. You may have that, Dr. Donnelly; but that is my recollection. Then, the Midland-Pacific Elevator company at Calgary came out with a statement in the press that they would cut the rate to $2\frac{1}{2}$ cents on high grades and $3\frac{1}{2}$ cents on low grades. They were followed in very close order by five or six other of the line companies. Then the pools had a meeting in Winnipeg and they suggested, as I recall it, a cut to $3\frac{1}{4}$ cents and one-sixtieth of a cent; but that was subject to this proviso, that we would have to get the others to follow suit. In other words, it would have to be a general agreement among the elevator companies.

By Mr. Perley:

Q. Right here might I ask, did the five or six companies that have already been mentioned object to that one-sixtieth?—A. Might I go on with my statement, if you don't mind?

Mr. PERLEY: All right.

The WITNESS: The result was that we had a meeting in Winnipeg—we had to get the crop handled and time was getting on—and finally after days of meeting we arrived at a basis of 3 cents and one-fiftieth. Now, I do not want to detract at all—

Mr. DONNELLY: And the other one was $3\frac{1}{4}$ and one-sixtieth.

The WITNESS: My recollection is that it was $3\frac{1}{4}$ and one-sixtieth.

Mr. DONNELLY: But reducing the carrying charge would not help the farmers, it would be the government that would be helped.

The WITNESS: That is right. I might say in spite of anything that has been said here, I do believe the board had a little to do with bring the charges down.

By the Chairman:

Q. Will you also say that you were asked to do that by the standing committee on agriculture and colonization?—A. Yes, it was at their direction that we started to carry on the discussions.

By Mr. Perley:

Q. Are you through with that now?—A. Yes.

Q. There were five or six of the larger line companies agreed to this cut, who fell in line with what the pools suggested, what about the balance of the line companies?—A. I don't think, Mr. Chairman, that I should state to this meeting as to what companies agreed or disagreed. I did say that we finally reached a very satisfactory agreement.

Mr. PERLEY: Then I will go on record as saying, and I am of the opinion, that the other line companies opposed the cut, were not in favour of making the reduction.

The CHAIRMAN: But the upshot of the whole thing was that they finally agreed to the change.

Mr. DONNELLY: And the final ending of the whole thing was getting a better deal for the farmer.

The WITNESS: Yes.

Mr. FAIR: Might I ask at all, if we had not had the pool organization, if they had not been in operation, what kind of a deal would the farmers have had?

The CHAIRMAN: Well, Mr. Fair, I can look back to the early days of the pool and say that the first handling agreements the pools had—that we made with the line elevator companies—they did not have any elevators when the pools first started off, and they had to have elevators—so that the elevator agreement is really a thing which has developed over a number of years; and I think that each succeeding agreement has been a little bit better than the one previously in operation.

Mr. FAIR: And you will remember that it has only been since the pools came into operation that things have been getting better; and I too can go back on experience of over twenty-nine years.

Mr. WRIGHT: I might point out this with respect to the pools, that it does not make so much difference to them what the charge is as it does to the line companies; whatever the pool takes in it eventually finds its way back to the farmers who are its members in the form of profits.

The CHAIRMAN: Is there any further discussion; can we stand Mr. McIvor down and call Mr. Findlay back to the stand?

Mr. PERLEY: I was going to ask Mr. McIvor one question about the international wheat agreement which was made last year. I have a report here from one of the western papers which says: Canada maintains her hold

on British market, virtually her only market for wheat, for the duration of the war and a period of two years to follow. That is a result of the new international wheat agreement that was made in 1942. Could Mr. McIvor tell us how that agreement is working out, and is Canada getting her share, the share that was allotted to her by that agreement.

The WITNESS: The agreement is not yet operative.

Mr. PERLEY: It was agreed to in July of last year.

The WITNESS: After the end of the war, not during the war, it can only take effect after a period of time with respect to which all the signatory nations will have to be in agreement.

Mr. PERLEY: It says, Canada maintains her hold on British markets, virtually her only market—

The WITNESS: That has nothing to do with the war.

By Mr. Perley:

Q. How are you on your shipments this last six or eight months as compared with the previous six or eight months to Britain?—A. Generally speaking the shipments of wheat to Britain so far this year are down as compared to last year, but there has been a big increase in flour shipments. I do not know the loadings recently.

Q. Flour, not wheat; probably that works out better in view of the shipping situation.—A. I would say, Mr. Perley, that we cannot tell at all until we get to the end of the year.

Q. One can readily understand the space situation being what it is, that it would be better to ship flour.—A. Entirely depends on the question of shipping.

By Mr. Donnelly:

Q. Do you know whether or not England gets any wheat from the United States under lease-lend?—A. I do not think so. They do not get any now, and I do not think there is any prospect of it.

Mr. McIvor stepped down.

Mr. R. C. FINDLAY, recalled.

The CHAIRMAN: Mr. Findlay is again before the committee and I think there were two questions asked in his absence the other day. I think possibly he has the information now. One was by Mr. Perley regarding the expense of the advisory committee; perhaps he could give that. Then I think there was one with respect to storage—I have forgotten just exactly what the question was.

Mr. PERLEY: How far did we get with this financial statement, Mr. Chairman?

Mr. McNEVIN: (*Victoria-Ontario*): We had reached page 22, if I remember correctly.

The CHAIRMAN: We were up to the consolidated balance sheet which is on page 18. Could Mr. Findlay answer these two questions and then proceed from there and go through the report as we have it. Have you the information?

The WITNESS: Mr. Chairman, I understand that one of the questions had to do with the advisory committee. I do not know just what the question was, but if you just want the total of the honorariums it was \$1,140; then, total sustenance, was \$1,270; travelling expenses \$2,029.14; making a total of \$4,439.14.

The CHAIRMAN: What was your question, Mr. Perley; did it relate to storage?

By Mr. Perley:

Q. I asked a question as to how the storage was divided, apart from the wheat the farmer is holding, that which went to the elevator companies?
—A. That is in the report.

Q. Oh, we will come to that.—A. Yes, it is in the average for the crop years.

The CHAIRMAN: Can we proceed to deal with the consolidated balance statements?

That will take us over to page 18. The balance of that information deals with the consolidated balance statement in the exhibit. That means, from the standpoint of consideration by the committee, that we will proceed over to exhibit 1. Are there any questions with respect to statements in exhibit 1?

By Mr. Perley:

Q. I do not think there is very much there. There is a statement there with respect to memberships—the Winnipeg Grain Exchange. How many memberships would you have? You have one in Vancouver and one in Winnipeg—
—A. We have two memberships on the Winnipeg Grain Exchange, we have one membership in the Winnipeg Grain and Produce Clearing Association—that is the clearing house—and one membership with the Lake Shippers' Clearance Association and one membership in the Vancouver Grain Exchange.

Q. This is an annual fee, is it?—A. No, that is the total value of the memberships. As a matter of fact, we originally paid \$21,000 for those.

Q. This is the appraised value, now?—A. No, we have applied dividends which we received from the clearing house and from the Lake Shippers' Association in order to reduce these, because the memberships have such a fluctuating value that you cannot arbitrarily write them down unless you write them to a dollar and let them go at that. Gradually over a period of years this will disappear.

By Mr. Wright:

Q. Could you give us an explanation as to the 1930 equalization payment account?—A. You will remember, Mr. Wright, that in 1935, I think it was, at the time the stocks of wheat carried by the Canadian Co-operative Wheat Producers were taken over by the board, the government set up a fund of \$6,600,000 for the purpose of equalizing the prices paid to the farmers in that particular year. Now, the three provincial pools made those payments as agents of the board from their records and distributed that money as the cheques went out—the residue of that fund, which is the amount you see here, was left with the board for special expenses incurred in connection with the administration of that account.

The CHAIRMAN: That is the balance left out of the \$6,000,000 odd?

The WITNESS: \$6,600,000 which was turned over to us originally.

By Mr. Wright:

Q. That would mean your expenses were \$6,600,000. That was the total amount available for the payments?—A. \$6,600,000 was the amount available for equalizing the payment to the growers—I think it was approximately \$6,500,000 that went directly to the producers,—\$6,400,000 or \$6,500,000—somewhere in between.

By Mr. Perley:

Q. With regard to this liability to the agents of \$53,000,000, could you give us any information on that; how many agents would be involved in that? Would they include all the elevator companies?—A. All the elevator companies. There would probably be thirty odd.

Q. They are practically all elevator companies?—A. All elevator companies, and that is the liability which the board will owe and pay to those companies at the time the wheat is delivered in a deliverable position. As long as they carry it in the country we do not pay for it—until it is delivered at Fort William or at some other deliverable point.

By Mr. Wright:

Q. What is the policy of the board with respect to that? Do you keep your terminal elevators filled at all times?—A. Yes. The movement and control of board wheat rests entirely with the board. We order it forward as we need it or have space for it.

Q. But it is the policy of the board to keep the terminal elevators filled?—A. Yes.

The CHAIRMAN: To keep the grain in a deliverable position?

The WITNESS: Yes, to keep the grain in a deliverable position.

By Mr. Perley:

Q. Have you the full control of ordering cars to be delivered at certain elevators?—A. That is right, we do.

Q. That is more or less to accommodate deliveries in areas where you think cars are needed?—A. That has become very necessary due to the congestion recently—in the last year or two.

Q. For instance, there may be four or five elevators at one point and somebody says that so and so is getting two cars and so and so is getting one car or somebody else may be getting three cars. Out in the country I hear people complaining that so and so got three cars on a certain day and he got only one car. How are the cars really distributed?

Mr. McIVOR: May I reply to Mr. Perley. The question was covered yesterday, and I filed with the committee a complete statement of how cars are distributed and the basis of distribution, and I said at the same time that we had practically no complaints from companies this year as to the distribution of cars. But that particular type of complaint will always occur more particularly if one man gets three cars and another man gets one car, but it always balances out.

Mr. PERLEY: I am speaking now from the standpoint of the producer. He may be using a certain elevator and another elevator will get three or four cars, and that man is anxious to get his quota off. It is not a point of any value.

The CHAIRMAN: Are there any further questions with respect to exhibit 1?

By Mr. Donnelly:

Q. Mr. Findlay, you show somewhere a deficit of \$10,000,000 odd at present prices for the 1939 crop?—A. Yes.

Q. And about one and one-third million— —A. \$1,364,000.

Q. For the 1940 crop?—A. Yes.

Mr. PERLEY: You have a surplus over here in the operations.

By Mr. Donnelly:

Q. On the 1938 crop there was a loss of about \$61,000,000?—A. Roughly \$62,000,000, between \$61,000,000 and \$62,000,000.

Q. That has been wiped off and settled for?—A. That is all cleaned up. We will come to that later on as we consider the report. You will see the wind-up of the 1938 crop.

Q. It is possible that if the price of wheat goes up that these deficits of \$10,000,000 odd and \$1,364,000 may be a lot less?—A. Oh, yes.

Q. You can sell the wheat on hand at a bigger price?—A. Yes, 1939 will, undoubtedly, be less when the account is finally closed out.

Q. On account of the present prices of wheat?—A. Yes.

By Mr. Evans:

On page 23 there is a statement with regard to the deficit for the 1938 crop and prior; is that the one you have reference to?—A. Yes, that is the statement.

Q. That is cleaned right off to the end of the crop year 1938?—A. Yes. That is on page 23. There is a deficit of \$61,425,829.01, and then we had additional interest from the date of our last balance sheet of \$99,862.18. Originally—a year or two before that—the dominion treasury sent us \$52,000,000 to apply on our bank indebtedness for the 1938 crop, and last April they sent us the difference of \$4,902,609.36 which cleaned up the account as far as we were concerned.

The CHAIRMAN: Are there any further questions with respect to exhibit No. 1? If not, may we proceed to exhibit No. 2?

The WITNESS: Exhibit No. 2? Mr. Chairman, by way of explanation may I say that instead of showing you individual balance sheets for each of the crop years we thought it would be more understandable to give you the consolidated balance sheet covering all accounts and then in exhibit 2 we give you the component items as they affect each of the crop years.

The CHAIRMAN: That is a very satisfactory way to set it up, Mr. Findlay. Are there any questions on this statement?

By Mr. Perley:

Q. Will you explain the reference to the clearing house adjustments at the bottom of page 20? What amount is represented by the daily clearing house adjustments—the amounts due to and from?—A. Oh, yes. Naturally, at the close of the market each day we have to issue a cheque to or we receive one from the clearing house. At the time that transaction takes place we do not know which crop year is affected or charged so we have to carry through until the end of the month and then we allocate the amounts due to or from each of the crop years.

Q. In this statement, exhibit 2, where is that amount found?—A. You will find it about midway down on the liability side, "amount due to and from other board accounts".

By Mr. Evans:

Q. With regard to the surplus resulting from the operation of the 1941 crop shown on the bottom of exhibit 2 \$4,809,054.50, that would be at your inventory date last year—the value of the wheat?—A. Yes, that is the value of unsold wheat at the market price.

Mr. DONNELLY: What time was it valued?

The WITNESS: July 31st.

The CHAIRMAN: Are there any further questions?

(Carried)

The CHAIRMAN: Now, let us go to exhibit No. 3. Is any explanation requested for the different items in this statement?

Mr. PERLEY: Let us go back to page 21. You have a lot of similar headings here to those in exhibit No. 3 but you do not make mention there of the brokerage charges. There is the drying and reconditioning charges. Why did you not make reference to the brokerage charges?

The CHAIRMAN: In exhibit 3?

Mr. PERLEY: Yes, on page 22.

The WITNESS: Well, comment is made with regard to the accounts only where some explanation is necessary. About all we can say about it is that this amount represents the brokerage paid to the brokers for settling board wheat.

Mr. PERLEY: You mentioned all the other different headings.

The WITNESS: We did that because they usually comprise more than one item.

Mr. PERLEY: That is in exhibit 3, the second last item, \$50,618.

The WITNESS: Yes.

Mr. DONNELLY: Mr. McIvor, are you still able to carry wheat by futures cheaper than by paying regular carrying charges?

Mr. McIVOR: We are at the present time, yes.

Mr. DONNELLY: And do you carry it cheaper by using futures and using future marketing—that is paying your brokerage charges as well?

The CHAIRMAN: May we hold closely to the exhibit while we are going through this part here?

Mr. PERLEY: We are on the exhibit and that is part of it. Brokerage would come under that item.

The CHAIRMAN: Yes, brokerage is under that. I did not think Dr. Donnelly's question came under that particular part.

Mr. DONNELLY: I was asking about brokerage charges. Under futures you have to pay brokerage charges.

Mr. WRIGHT: Has that position been maintained consistently throughout the last three years?

Mr. McIVOR: I think I said last year that the amount that could be saved by the use of futures depended largely on the relationship between storage and wheat. When we were offering more wheat than the storage available the carrying charges in the future markets were wider but as the storage reached out for the wheat the carrying charges narrowed up, and within the last month or six weeks there has been a narrowing in the relationship between the futures which permits up to make substantial savings in carrying.

Mr. WRIGHT: I understood that about a year ago there was very little.

Mr. McIVOR: There was very little a year ago.

Mr. DONNELLY: There was very little storage space too.

Mr. McIVOR: Yes.

By Mr. Perley:

Q. Take the 1941 crop which is not cleaned up. What futures would you hold for that, what amount? How often did you have to switch the futures for that wheat?—A. The 1941 crop?

Mr. McIVOR: We usually switch in the fall, from the October to the December and sometimes right from the October to the May and from the May to the July and back to the October.

Mr. PERLEY: There are about three switching operations on a year's crop that is not cleaned up?

Mr. McIVOR: Yes.

Mr. PERLEY: And it is cheaper to pay brokerage fees on that?

Mr. McIVOR: I can say this to you that we never spread futures from one month to another if it is more expensive.

Mr. PERLEY: If it is more expensive to carry the futures you do not do it?

Mr. McIVOR: No.

The CHAIRMAN: Are there any further questions?

Mr. PERLEY: At the bottom of the page, administrative and general expenses, \$387,000; can you give us a breakdown of that?

The CHAIRMAN: Mr. Perley is asking for information and a breakdown of the item, administrative and general expenses, \$387,388?

The WITNESS: That \$387,388 is the proportion of the board's administrative and general expenses which are charged to the 1941 crop. The expenses are allocated for each crop year in accordance with the amount of handling that was done to handle their position. The items comprising it, of course, include everything, depreciation on furniture and fixtures, alterations of offices, foreign exchange, daily banking expenses, express, cartage and freight, market quotation service, grain exchange dues, bonds, insurance and taxes, grain marketing publications, repairs and upkeep of office machinery and equipment, tabulating equipment rental—the tabulating equipment is for the International Business Machines which we use very extensively—legal and audit fees, travelling expenses, office supplies and expenses, printing and stationery, postage and excise stamps, telegrams and cables, telephone exchange service, advisory committee travelling, unemployment insurance and salaries.

Mr. PERLEY: I will not bother you for the detail of that. That is the general heading.

By the Chairman:

Q. That statement would cover another period rather than the period that you have got in mind. It would be just apportioned to the 1941 crop?—A. The 1941 crop was charged for its share. Speaking from memory I think it bore 49 per cent of the total expense for that year.

By Mr. Evans:

Q. Mr. Findlay, I notice additional freight on wheat shipped to Fort William, \$1,251,695.60. That is paid by the board for the equalization of all freight shipped out of Vancouver zone and Alberta to the head of the lakes?—A. Yes, it is. It represents the additional cost to us of freight on wheat bought and paid for basis Vancouver and later shipped to lake shipping point.

Q. So as to put Alberta wheat in a more favourable position?—A. Yes.

By Mr. Donnelly:

Q. That is a bonus you give to them?—A. Yes. During the last two or three years, as you know, shipments out of Vancouver have been very low and to sell the wheat you have to move it east.

Mr. FAIR: How would that be described as a bonus, Mr. Findlay?

Mr. DONNELLY: You have to ship it east.

Mr. FAIR: I object to that because we usually go right to Vancouver and through no fault of our own from the war or other conditions we have to ship east. Personally it would make very little difference to me. It is half a cent per hundred difference whether I ship east or west, but I do not like insinuations and innuendos of this kind from Dr. Donnelly. It is not a bonus to the Alberta farmer because I think we stand the racket on our freight rates on what we handle.

By Mr. Donnelly:

Q. There is some wheat shipped to Vancouver, is there not?—A. Oh yes.

Q. And the reason why you have shipped it east as much as anything else is because there is no space there?—A. No space.

Q. You ship it east for them and we pay the difference, and what do we call it if we do not call it a bonus?

Mr. FAIR: It is not a bonus.

Mr. DONNELLY: We ship oats down to eastern Canada and we give them freight rates. What do you call it if you do not call it a bonus?

Mr. FAIR: That is a bonus. In our case it is not.

The CHAIRMAN: Any further questions?

By Mr. Perley:

Q. Mr. Chairman, Mr. McIvor said they did not use an option unless it was cheaper, only when it was cheaper to do that. On the first page of exhibit three there is an item there, transfer of futures to deferred months, \$350,000. Can you give us a breakdown of that? I might say that down below brokerage and clearing charges are \$50,000.—A. That is right, Mr. Perley. The first amount you mentioned, \$350,700 represents the cost of transferring futures from one month to the other. In other words, it is the difference between the price of the nearby future to the deferred future. Ordinarily in the grain business that item is never paid. It would be merged up here in the profit and loss on futures, but in 1935 we started to segregate that.

Q. It really cost in switching your futures \$350,000. Just above that you show carrying charges on wheat stored in country elevators were only \$287,000?

—A. Carrying charges on wheat —no, \$4,608,851.80.

Q. The second item—A. You mean terminal storage?

Q. Yes.—A. Of course, there still is a big part of that crop in the country elevators that has not moved forward to the terminals as of the date of the balance sheet.

The CHAIRMAN: Any further questions?

By Mr. Perley:

Q. There is just one item here on which I would like to make a comparison with the previous report, 1940-1941. It is the item of brokerage charges near the bottom, \$50,000 in the one and over here in exhibit C—I think it deals with practically the same thing—you have brokerage charges, \$118,000. Why would there be so much difference? It is a little hard to follow.—A. Why the difference in the amount?

Q. Yes.—A. Do not forget, Mr. Perley, in the one case you handled less than 100,000,000 bushels and in the other crop you handled almost 400,000,000 bushels.

Q. In this previous crop?—A. Yes. You see your handlings in the statement you are referring to now are 395,000,000.

Q. It is a little hard to follow because you have got them lettered in the one and Roman numerals in the other?—A. Yes.

The CHAIRMAN: Any further questions on exhibit No. 3? I would like to ask Mr. Golding to take the chair for a little while.

Mr. Golding takes chair as deputy chairman.

By Mr. Wright:

Q. Mr. Findlay, what is the comparative storage space in the terminal elevators as compared to the country elevators? Have you those figures?

Mr. McIVOR: We have them here. I will see if I can find them.

By Mr. Wright:

Q. What I was getting at was that there is a very much greater sum paid for storage in the country elevators as compared to the terminal elevators. It would look as though the terminal elevators had not been kept filled up?—A. I think the explanation you are looking for, Mr. Wright, is

the fact that when wheat comes forward into a deliverable position we generally do not carry it very long before selling it. In other words, during the last three crop years particularly it has been carried in the country for a longer period than it has been in the terminal elevators, but when we sell the wheat and it changes ownership of course storage still goes on but the new owner would pay the storage.

Q. It does not appear in this statement?—A. No.

By Mr. Donnelly:

Q. Is the storage rate in the country a 45th?—A. 50th.

Q. Both there and at the terminal?—A. Terminal and country both.

Q. And on the Pacific coast it is a 60th?—A. At the Pacific and the interior terminals. The licensed capacity of the country elevators is 305,212,704. That is out of a total combined storage space of approximately 600,000,000. The Fort William terminal space is 144,530,000.

Mr. WRIGHT: That explains what I wanted to find out as to the difference in the charges.

The WITNESS: Yes, surely.

The DEPUTY CHAIRMAN: Are there any more questions on exhibit four?

Mr. McNEVIN: I think Dr. Donnelly should make it clear what he refers to when he mentions a bonus. We are a little in the dark.

Mr. DONNELLY: The general wheat growers; it is taken out of all wheat growers, out of the pool, the board.

Mr. McNEVIN: Before we leave this point you do not mean the freight subsidy on the feed grains? The cost of the freight subsidy on Ontario feed grains is borne by the government.

Mr. DONNELLY: Sure.

Mr. FAIR: The individual farmer stands the loss.

Mr. DONNELLY: In your case it comes direct from the government.

Mr. McNEVIN: Yes.

Mr. DONNELLY: If the board made a deficit for the 1941 crop it would come from the government just the same as the other. The government would put up the loss. If you make a profit it is taken out of the profits.

Mr. McNEVIN: However, the two matters are not in exactly the same category.

Mr. PERLEY: Let us get on.

The DEPUTY CHAIRMAN: Exhibit 4.

By Mr. Perley:

Q. There is an item here, profits on futures. Is it right that you made \$508,000 there?—A. That is correct.

Q. Down here your brokerage fees charged are \$15,000. That would be a pretty good year as far as futures were concerned?—A. They really have no relationship whatever to each other.

Q. What about this item, surplus on cash wheat and futures transactions, \$1,700,000.—A. That is the surplus in this account valuing the stocks again at the July 31st close.

By Mr. Donnelly:

Q. If the price of wheat goes down you may lose it all?—A. You may lose it all if it goes down.

The DEPUTY CHAIRMAN: Any more questions on exhibit 4?
(Carried.)

Exhibit 5?
(Carried.)

Exhibit 6?
(Carried.)

Mr. DONNELLY: It is the same thing.

The DEPUTY CHAIRMAN: Exhibit 6 carried. Exhibit 7.

Mr. DONNELLY: That is the 1939 crop.

By Mr. Perley:

Q. In exhibit seven your brokerage fee is \$666,000?—A. \$661,000—no, I am sorry, \$666,000.

Q. I have the total brokerage fees paid in these different exhibits. I think I am correct. I have got \$1,255,000. You do not care to give us a list of the brokers used, how they were distributed?

Mr. DONNELLY: That is for how many years?

Mr. PERLEY: The five exhibits, exhibits 3, 4, 5, 6 and 7.

The WITNESS: Mr. Chairman, that is our old friend from last year.

The CHAIRMAN: I was waiting for confirmation or otherwise of the figure which he had given. I do not know whether his addition is correct.

The WITNESS: \$1,067,000 altogether.

The CHAIRMAN: So far as the payment of brokerage is concerned and the individuals who received it I imagine the committee considered that matter as settled last year. I do not know whether we wish to open it up again this year.

Mr. PERLEY: My colleague who was interested in that is not here this afternoon. However, that is the amount. I am right in my figures, am I?

The WITNESS: Yes, it totals \$1,067,000.

Mr. PERLEY: I had it a little more than that.

Mr. McNEVIN: That covers a period of five years.

By the Chairman:

Q. That is for a period of how many years?—A. That covers three board years that were then open, P.C. 1803, flax and everything else.

Mr. PERLEY: It covers three years including flax for one year.

The CHAIRMAN: Any further questions on exhibit No. 8. That is the last one in the book.

[Carried.]

Are there any further questions that the committee wishes to ask Mr. Findlay?

Mr. HENDERSON: When are you going to pay us on the participation certificates for the 1938 crop?

The CHAIRMAN: I think you had better ask that question of some member of the government. Are there any further questions you wish to ask either Mr. Findlay or Mr. McIvor? Do I take it then that the committee is prepared to release these two witnesses?

Mr. McNEVIN: Before doing so, Mr. Chairman, I think that the representatives of the wheat board have facilitated the carrying on of this work before the committee a great deal, and I have much pleasure in moving a vote of appreciation on the part of the committee to the members of the board.

Mr. HENDERSON: I would like to second that.

Mr. PERLEY: I think you ought to allow me to second that.

Mr. McIVOR: Mr. Chairman, I wish to thank you for your remarks about the board. I also wish to express the appreciation of the board for the courtesy that we have had from the committee and the patience with which you have listened to a lot of our long drawn out explanations. There is just one matter,

Mr. Chairman. I have asked Winnipeg to confirm the various offers that were made in regard to the handling of wheat last year. If you remember I was drawing on my memory for that information, but I will give you that by letter because I would like the record to be clear in that regard.

Mr. PERLEY: Mr. Chairman, I may say we are refraining from asking any questions about the new policy. I suppose we will have to look to the minister for that. Mr. McIvor would not want to go into that.

The CHAIRMAN: I think the committee have pretty well covered what was included in the order of reference. The particular item that Mr. Wright was interested in had to do with the equalization fee regarding the sale of coarse grains to the United States. The committee has reviewed that and the elevator agreements that were in operation this year, any changes that were made in them from last year. That has all been dealt with. If there are no further questions I presume we can release these two witnesses, express our appreciation to them as was done in the motion of Mr. McNevin, and proceed to draft some kind of report to be presented to the house.

The Committee adjourned at 5.30 p.m. to meet again on Thursday, June 10, 1943, at 11 o'clock a.m.

CA1
XC12
-A48

SESSION 1943
HOUSE OF COMMONS

Government
Publications

(STANDING COMMITTEE

ON

(AGRICULTURE AND COLONIZATION)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

THURSDAY, JUNE 10, 1943

TUESDAY, JUNE 15, 1943

WITNESS:

Dr. G. S. H. Barton, C.M.G., Deputy Minister, Department of Agriculture.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



ORDER OF REFERENCE

MONDAY, 14th June, 1943.

Ordered,—That the said Committee be authorized to review:—

1. The Wartime Marketing policies administered by the Department of Agriculture with respect to

- (a) The Agricultural Supplies Board
- (b) The Special Products Marketing Board
- (c) The Dairy Products Board
- (d) The Meat Board.

2. The agricultural research activities of the Department of Agriculture and of other government agencies.

3. The administration of farm equipment rationing.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORT TO THE HOUSE

FRIDAY, June 11, 1943.

The Standing Committee on Agriculture and Colonization begs leave to present the following as its

SECOND REPORT

Your Committee recommends that it be authorized to review:—

1. The Wartime Marketing policies administered by the Department of Agriculture with respect to

- (a) The Agricultural Supplies Board
- (b) The Special Products Marketing Board
- (c) The Dairy Products Board
- (d) The Meat Board.

2. The agricultural research activities of the Department of Agriculture and of other government agencies.

3. The administration of farm equipment rationing.
All of which is respectfully submitted.

W. G. WEIR,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, June 10, 1943.

The Standing Committee on Agriculture and Colonization met at 11.00 a.m., the Chairman, Mr. Weir, presiding.

Members present: Messrs. Blair, Clark, Dechene, Diefenbaker, Douglas (Weyburn), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Hatfield, Henderson, Laflamme, Lafontaine, Leclerc, Léger, Lizotte, McCuaig, McCubbin, McNevin (Victoria, Ont.), Mullins, Perley, Rennie, Rheaume, Rickard, Ross (Souris), Ross (Middlesex East), Senn, Weir, Whitman, Wright.—33.

The minutes of the meeting held on Wednesday, June 9, were read and approved.

The Chairman, on behalf of the steering committee, presented the following report:—

The steering committee, having met this day, begs leave to recommend that the motion of Mr. Cruickshank, seconded by Mr. Leclerc, passed on Wednesday, May 26, 1943, be rescinded, and that the following be substituted therefor:—

That the Committee report to the House recommending

1. That it be authorized to review the Wartime Marketing policies administered by the Department of Agriculture, with power to call as witnesses, representatives of

- (a) The Agricultural Supplies Board
- (b) The Special Products Marketing Board
- (c) The Dairy Products Board
- (d) The Meat Board.

2. That authority be given to review the agricultural research activities of the Department of Agriculture and of other government agencies; and

3. That authority be granted to review the administration of farm equipment rationing.

Mr. McNevin moved that the motion of Mr. Cruickshank, seconded by Mr. Leclerc, passed on Wednesday, May 26, 1943, be rescinded.

Motion carried.

Mr. Leger moved:—

That the Committee report to the House recommending:—

1. That it be authorized to review the Wartime Marketing policies administered by the Department of Agriculture, with power to call, as witnesses, representatives of

- (a) The Agricultural Supplies Board
- (b) The Special Products Marketing Board
- (c) The Dairy Products Board
- (d) The Meat Board.

2. That authority be given to review the agricultural research activities of the Department of Agriculture and of other government agencies; and

3. That authority be granted to review the administration of farm equipment rationing.

Mr. Diefenbaker moved in amendment thereto that there be added to the list of witnesses to be called, the name of Mr. Donald Gordon, Chairman of the Wartime Prices and Trade Board, or of another official of the Board, conversant with matters pertaining to agriculture.

Discussion followed.

The amendment being put, it was negatived on the following recorded division:—*Yeas*: Messrs. Diefenbaker, Douglas (*Weyburn*), Hatfield, Perley, Ross (*Souris*), Senn. (6)—*Nays*: Messrs. Clark, Dechene, Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Henderson, Laflamme, Lafontaine, Leclerc, Leger, Lizotte, McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Mullins, Rennie, Rheume, Rickard, Ross (*Middlesex East*), Whitman, Wright. (25).

The question then being put on the main motion, it was adopted.

The Committee adjourned to the call of the Chair.

R. ARSENAULT,
Acting Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 15, 1943.

The Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., the Chairman, Mr. Weir, presiding.

Members present: Messrs. Bertrand (*Prescott*), Blair, Cardiff, Cruickshank, Dechene, Diefenbaker, Donnelly, Dubois, Evans, Fontaine, Furniss, Gardiner, Golding, Henderson, Kirk, Laflamme, Lafontaine, Leader, Leger, McCubbin, McNevin (*Victoria, Ont.*), Matthews Mullins, (Mrs.) Nielsen, Perley, Quelch, Rennie, Rheaume, Ross (*Souris*), Ross (*Middlesex East*), Senn, Soper, Tustin, Weir, Whitman.—35.

In attendance: Dr. G. S. H. Barton, Deputy Minister of Agriculture and Chairman of the Agricultural Food Board; Mr. A. M. Shaw, Director of Marketing Services, and Chairman of the Agricultural Supplies Board.

On motion of Mr. Leger, the Minutes of the last meeting held on Thursday, June 10, were approved.

The Committee proceeded to inquire into the Wartime Marketing policies of the Department of Agriculture in accordance with an Order of the House dated June 14, 1943.

The Hon. J. G. Gardiner, Minister of Agriculture, made a statement outlining the policy and plans of the government.

Dr. Barton, Deputy Minister of Agriculture, was called. He gave a review of the different Boards established under the marketing policies of the Department, described their functions and relationship, and was questioned thereon.

On motion of Mr. Golding, the Committee adjourned at 1.00 o'clock until Thursday, June 17th, at 11.00 o'clock, a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 15, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: If the committee will kindly come to order we will proceed. The order of reference which the committee recommended at the last meeting passed through the house yesterday, and we have proceeded to the extent of being ready to continue on the basis of that order of reference. The plan suggested to start this further inquiry into the operation and the conduct of these various boards mentioned in the order of reference was to have the Minister of Agriculture outline the general policy with respect to it and be followed by Dr. Barton as the head of most of these boards, and then also by Dean Shaw. Is the committee agreeable to proceeding on that basis?

Mr. CRUICKSHANK: Who is Dean Shaw?

The CHAIRMAN: He is the Director of Marketing in the Department of Agriculture, and Chairman of the War Supplies Board.

Mr. CRUICKSHANK: The reason I am asking that is that I introduced the original motion, and I think that every member has got to admit the most essential thing—I am quite in favour of us discussing plastic and all that—the most essential thing, as I see it, before the committee at the present time is dairying products. It affects all parts of Canada. That is the reason I am asking who Dean Shaw is. I do not know.

The CHAIRMAN: I might say that I thought perhaps the committee might prefer to deal with these various marketing organizations before dealing with the research activities that are suggested in the second part of the order of reference. I think all that Mr. Cruickshank has in mind will be covered at some stage of the proceedings as we go along. If it is not I hope he will bring it to our attention.

Mr. CRUICKSHANK: May I speak again? I think we took it very gracefully at the previous meeting. I am quite in accord naturally with hearing the Minister and the Deputy Minister but what I am suggesting is that when the various boards are being called before us we deal with the one concerning dairying first.

Hon. Mr. GARDINER: They are all under Mr. Shaw.

Mr. CRUICKSHANK: All right.

The CHAIRMAN: I think you will find the Minister will give an outline of the set-up that will get us started. Is that agreeable to the committee?

(Carried)

Hon. J. G. GARDINER, Minister of Agriculture called.

The WITNESS: Mr. Chairman, I will endeavour in as few words as possible to outline what the policy and plans have been on the part of the government during the war. Then, as has been suggested by the chairman, my deputy is here who, as well as being deputy, is Chairman of the Food Board. Mr. Shaw is also here, who has been from September 9, 1939 on, chairman of the Supplies Board. He is also a member of the prices board, and he is Director of Marketing in the Department of Agriculture. Under the division which he directs in the depart-

ment come all the marketing activities including the grading of products and the marketing of farm products within Canada. His division also conducts discussions between the federal and provincial authorities in all matters having to do with standardization and marketing of farm products. These are matters with which he can deal when he is before you.

I wish in the first time to recall that this department was reorganized just previous to the war. We had been operating before that time under a number of branches. Just before the war we reorganized the department into four divisions, (1) the science division; (2) the experimental farms division; (3) the production division, and (4) the marketing division.

When the war started the government took the position that in so far as it was possible to do so the divisions of the department would be utilized for the purpose of carrying on any activities having to do with agriculture which would be associated with the war. Naturally the two divisions which have been called most into action down to the present time have been production and marketing. The reason for that will be apparent to all of those who are here.

I wish for a moment to outline to you the different actions that have been taken in order to utilize to the fullest extent possible the trained officials of the different branches of the department, and particularly those two divisions, to make it possible for agriculture to function as effectively as possible in relation to the war. The first matter which was called to our attention very early in the war through the activities of our officials was the fact that there would be some products which had been the source from which homes had been built upon farms in Canada which had been required in considerable volume to supply demands outside Canada which would not be required in great quantity during the war, or during the early period of the war at least. The outstanding product of that kind was apples. The action taken by the government was based upon the idea that we should maintain that branch of agriculture in operation until the end of the war, and in a position to go on and produce for outside markets as well as the home market just as effectively at the end of the war as they were at the beginning of the war.

The outstanding fact in relation to apples is that at the beginning of the war 50 per cent of our apples were going to Britain. When Britain declared war she said she was not in need of apples, and immediately we had to make some provision for apple growers. That provision was made, and I think you will agree there has been very little discussion with regard to the apple growers' position since very early in the war. We have entered into agreements each year which have taken care of the problems which confront them.

The next difficulty which presented itself, or upon which action was taken, had to do with the provision of seed and fertilizer, insecticides and fungicides, all of which have to do with the production of crops. It was found very early in the war that many of the seeds that we had been utilizing in the production of our crops were produced outside Canada, and many of them in those countries in Europe which had come under the control of Hitler. For that reason we had to proceed to the production of seed, and further, to the conservation of the different products which entered into the production of fertilizer, insecticides and fungicides, which are largely used in the production of munitions. It became necessary to give some attention to that right at the beginning of the war.

Then we were desirous of learning first hand at as early a date as possible what the needs of our allies, and in the early stages of the war our most important ally, Britain, were likely to be as we proceeded in order that we might have our production at the time when it was necessary to their needs. Then we had to arrange for the orderly delivery of surpluses of food to our allies, and more particularly to Britain.

Those were the four important tasks which appeared to be on our doorstep immediately war was declared. In order to function to bring about the

results which were desired in connection with each one of them we set up in the department what was known as the Agricultural Supplies Committee on September 9, 1939. That was within a week after war was declared. That committee was reconstituted as a board on March 6, 1940. Very recently we set up the Food Board of which the Deputy Minister is chairman. I only mention that now because some of the functions which at first were performed by the Agricultural Supplies Committee and later by the Agricultural Supplies Board are now performed by the Food Board over which the Deputy Minister is chairman.

I think at this point I should read to you the powers or duties of the Supplies Committee as set up on the 9th of September, 1939, because this will indicate to you what the different boards that you are going to inquire into have been attempting to do. The duty of the Supplies Board was: (1) to direct and regulate through the various dominion and provincial agricultural services and through advisory boards representative of the industry which are already constituted, or which may be established, the production, preparation and conservation of farm products; (2) to establish advisory boards representative of the industry; (3) subject to the approval of the Governor in Council to deal with matters pertaining to the purchase of agricultural products; (4) to take measures with the approval of the Governor in Council to regulate the distribution of feed, seed, fertilizers, insecticides, fungicides and other materials for use in the production of farm products; (5) for the purpose of carrying out the provisions of the preceding paragraph to purchase, store and distribute supplies for use in agricultural production; (6) to initiate and submit to the wartime prices and trade board—this recalls the fact we had the wartime prices and trade board on the 9th of September, 1939, when this order was drawn—to initiate and submit to the wartime prices and trade board measures designed to prevent abnormal relationships in prices of agricultural products, and to prevent abnormal relationships between prices of materials and equipment for use in agricultural production and the prices of agricultural products which would result in unbalanced production.

I read those duties of the board in order to indicate to you the necessity for the setting up of this board and the fact that these matters were in mind from the very first week after war was declared.

In order to do the task which they had in mind as effectively as possible the Agricultural Supplies Board set up, from time to time, other boards or advised the setting up of other boards. Those boards have been set up by order in council. First we had the Bacon Board set up on December 13, 1939. Then we had the Dairy Board set up on May 23, 1940, the Special Products Board on the 15th of April, 1941, and the Meat Board, replacing the Bacon Board, set up on June 3, 1943.

I should like to review for a moment the reasons for the setting up of these boards in the order in which they have been set up. In doing that I would say this: we have followed from the beginning of the war a policy based upon these ideas: first, we desired to adjust production to the needs of the war; second, we desired to regulate the consumption of products essential to our allies to assure the greatest possible supplies where they were most needed. In carrying out these objectives we dealt first with pork products. The reason we dealt first with pork products was because of the fact that Britain was desirous of obtaining bacon and ham from us in certain quantities early in the war. We dealt next with cheese, or we set up the Board to deal with cheese, and foresaw that later on they would probably have to deal with milk as well as cheese, and probably in butter; therefore we called it the Dairy Products Board, and gave it control over all milk products.

The next problem with which we were confronted was that of dealing with eggs. I would remind the committee that when we were first asked to deal with

eggs it was not a question of getting production; it was a question of dealing with a surplus. We had so many eggs in Canada not so very long ago as compared to the consumption in our own country that the price was going down rather than going up, and at that particular time there was no considerable demand for our eggs outside Canada. We set up the Special Products Board to deal with eggs and any other products, other than those I have already mentioned, at any time they needed to be dealt with. The first action taken by the Special Products Board was to negotiate an agreement with Britain under which they would take our surplus eggs off this market. We later on subsidized the price of those eggs in order to get them delivered to the Special Products Board to be delivered in turn to Great Britain. We had only been operating under the fresh eggs provision for a short time when Britain expressed a desire to have those eggs in dried form. You are familiar with the story of dehydration or will get it from the different persons who appear before you from time to time.

The next product with which we ran into some difficulties was beef. In the early stages of the war Britain did not desire beef from us. She was obtaining any beef she did import from the usual sources of supply, largely from the Argentine and Ireland, and did not express any desire to have beef from us, and we had not been supplying much beef previously. Our surplus beef was going into the United States in the form of live cattle largely, and we were not troubled with difficulties in distributing beef until the year 1942. All of the difficulties in connection with that have arisen since that time. When I say that we were not troubled about it I simply mean there was a market for our surplus in the United States, and the price of beef had been satisfactory from very early in the war down to that time.

These boards have been set up in the order in which they have been to deal with the different problems as they have presented themselves or as they have threatened to present themselves. We have attempted to handle these problems as they have come along under these different organizations. You are going to inquire into their operations to find out what they have done, why they have done certain things and what the results have been. I do not need to go into detail with regard to that now.

I should like to point out, however, that when we were merely controlling or regulating the marketing of bacon and ham, pork products, in other words, we could do things which did not unnecessarily disturb the demands for food products at home. When we were only dealing with pork products we were able to say in 1941, "Do not consume more than 75 per cent of what you consumed in 1940," in spite of the fact that the consumption had gone up by—speaking from memory—about 30 per cent in the spring of 1941 over 1940. We simply said to the people of Canada, "Reduce your consumption down to 75 per cent of what it was in 1940." In order to enforce that the board said to packing plants and others who were distributing hog products to their customers, "You can only deliver 75 per cent of what you delivered in 1940." I dare say many people in Canada have forgotten that regulation was there because it did not create any hardship whatsoever. There was plenty of everything else. There was beef, there were eggs in greater quantities than we knew what to do with, we had butter in surplus quantity and we had cheese in surplus quantity at the time that action was taken. There was no difficulty experienced in bringing about regulations of that kind at that time. But then it became necessary to take all the cheese produced in the summer of that year off the Canadian market and send it to Britain. It became necessary later on to do something about butter because we had too much milk going into the production of cheese to result in a sufficient amount of butter being produced to give the people all they wanted to eat. Later on because our beef supplies were not equal to the demands in all parts of Canada, and pork products could not be thrown back on this market,

it became necessary to consider doing something about that. So as we went along into the war the necessity for more control over the consumption of different products became greater.

I think I should state to the committee what the policy of the government has been from the beginning in relation to matters of that kind. We have always maintained from the beginning that in so far as it was possible we should give to Britain any food products which she considered essential to the feeding of her own people during the time that she was being attacked directly by the enemy. So when Britain asked us for more cheese we took all the cheese away from the Canadian people as they could get all the butter they wanted, they could get all the meat they wanted and therefore there would be no hardship in asking them to forgo the eating of cheese for the time being. When they were short of bacon we asked our people to cut down to 75 per cent of the consumption in 1940 and later to 50 per cent in order that we might send more over to Britain. At that time people could get all the beef they wanted, all the eggs they wanted, and generally speaking dairy products at that time because we put cheese back on to this market again through increased production. Therefore there could be no hardship in asking our people to go without, but as we approached the point where much of practically all of our products was being required there arose difficulties which required the putting on of controls which have resulted in some people finding it a little difficult to get all of the different kinds of foods which they require.

The last to be in that class is beef. There is a delegation here at the present time from Britain representing the British government. That delegation is as anxious about beef as they are about any other product. They want to know how soon and how much beef we can send to Britain. The only way we could find out how much and how soon we could send beef to Britain was to ration the consumption of meat in Canada. Rationing is not necessarily carried out for the purpose of reducing the consumption of a product, generally speaking. It may be only carried out for the purpose of seeing that everyone gets their share of a product of which there is enough if properly distributed, and up to date that has been the reason for rationing in Canada. It has not been that our production was going to get so low in Canada that we would not have enough food in Canada, but it has been in order that we might be able to state exactly the amount of food that is going to be required in Canada in any particular year to give Canadians all the food they need, not all they want but all they need. An attempt is made to figure that out putting it on a reasonable basis and then dividing up the different foods in such a way as to give our people a reasonable ration, one which will produce and maintain health in our families and at the same time release just as much food as we possibly can to be sent to our allies and more particularly to Britain. In attempting to do that we have had to adopt rationing. All I wish to say here at the moment with regard to that is that rationing is not carried out under this department. As you know it is carried out under the wartime prices and trade board, the reason being obvious, that they have control over the prices of all foods whether they come immediately from the farm or wherever they come from, imported or otherwise, and therefore must have more or less control over the actual consumption itself. They have been rationing more and more different food products recently from time to time.

There is one product about which I have said nothing up to the moment, or one group of products, and that is cereals. You will note in the very first provision made under the order in council of September 9, 1939, that it was anticipated we might have to do something with regard to the distribution of feed and seed and grain products generally. Something has been done about that, as you know, from time to time. Wheat marketing has always been under the Department of Trade and Commerce since that department was set up in

the latter years of the last century, but wheat production, everything having to do with the production of grains, has been under the Department of Agriculture and still is, of course. In so far as we have been dealing with production in relation to the requirements of Britain and the requirements of our other allies any action taken to cut down production of wheat, or the acreage of wheat, has been taken by the Department of Agriculture.

By Mr. Senn:

Q. Do I understand from the Minister that the export of all kinds of food-stuffs except wheat is under the Department of Agriculture rather than the Department of Trade and Commerce?—A. Since the war started it has been impossible to export products to Britain; it is impossible, of course, to export products to the continent of Europe since Hitler got control, and it has been impossible to export products to Britain other than by agreement. I speak generally. There are a few products that have been going over in the ordinary way, but generally speaking Britain came to us and made agreements and these products are delivered to Britain in Canada at the last port from which they are shipped. Britain then takes the responsibility for their shipment across the the ocean. All of the details of arrangement really take place in Canada. The Departemnt of Agriculture has been making these arrangements and carrying them out, making arrangements first for their production, making arrangements for their delivery, and not only their delivery to the different boards but their delivery to the British government. That delivery is made in Canada and then Britain sees to it that the goods are taken across.

In connection with production we have been asked from time to time to try and bring the production of farm products into line with the needs of our allies, and more particularly the needs of Britain for the time being. One of the necessary activities to bring that about is to try and encourage an adjustment as between the production of wheat and the production of live-stock products. As you know, for the last three years there has been a gradual switch-over from acreage assigned to the production of wheat to acreage assigned to the production of live stock. I am not going to go into the details with regard to that. You have had them many times, and probably will have them again while you are inquiring into the matter from different persons who will appear before you, but I do wish to say that we did what we have done in an attempt to meet the requirements of Britain for dairy products and meat products largely, and poultry products as well.

I want to refer just for a moment—because no doubt some of you have read it, more particularly the western members of the committee—to an article which came out of the meeting which was held recently at Hot Springs and has appeared in all the western papers. It is headed, "More wheat and less live stock." I do not know that it is misleading if it is read from beginning to end and digested carefully, but if one simply reads that headline, reads the words in black print and does not read anything else I am afraid that it not only gives a wrong impression but will do a great deal of harm to the plan which we have been attempting to work out in the last three years. I may say that some of the men who are mentioned in this article have been in Ottawa since. I have had the privilege of discussing the matter with them, and I am quite sure what I am going to state to you is the interpretation which was intended to be put upon the finding which is referred to here. The article is dated Washington and was written by Mr. Chester Bloom, who at one time was in the gallery here but is now down at Washington.

So far as the Canadian prairie west is concerned the most important paragraph in the report of the production section of the United Kingdom Food Conference at Hot Springs, Va., is that which urges "increasing the acreage of crops for direct human consumption and actually holding back the rebuilding of reduced live stock herds".

If one reads that carefully he knows what it means. It does not refer to Canadian herds because it speaks of reduced live stock herds, and our herds are not being reduced, they are being increased; so obviously it was not intended for our consumption here and particularly western Canada. In black print it is said:—

Specifically that is a plea to farmers everywhere to raise more wheat instead of live stock. Though it is aimed primarily at other world areas it applies no less to western Canada.

Naturally, anyone reading that and going on to read the article will read into it an emphasis being placed upon the immediate increase of wheat growing in western Canada, but there has been no change in policy down to the present and there is not likely to be in the immediate future any necessity for a change of policy from that which has been followed, namely, that we in Canada should be producing all the live stock and live stock products we can even to the exclusion of some of our wheat acreage; the reason being just exactly what is said in this resolution—if it might be called a resolution—which was published down in Hot Springs; exactly the same reasons as will apply after the end of the war, or toward the end of the war, or in some of the European countries, has been true in Britain ever since the war started. Britain found that she had to produce cereals as she was threatened with blockade, and as I have said to the house before a pound of cereal will keep a man alive in an emergency just as long as a pound of meat but it takes from 5 to 8 pounds of grain to make a pound of meat; so that in Britain they had been producing grain to the exclusion of meat products, and they have asked us to produce protective products or meat and dairy products and send them over to them in as great a quantity as we can. That is what we have been doing down to the present, and that is what we must do if Britain is to get food from us down to the time when victory is at least apparent.

What has been suggested here, as I understand it, is that these other European countries, France, Belgium, Holland and so on, as they come back under the influence of the Allies should put the greatest emphasis in the first years after they come back upon the production of cereals, because it is by producing cereals that they can most effectively assist in feeding their own people; and then as we, because of shipping becoming available, are able to get our cereals as well as our meat products over to them they will naturally shift back into their own ordinary activity in connection with agriculture and produce meat and dairy products as they did before the war.

And so, what I am trying to emphasize is that this was advice not to farmers in western Canada as the article here tends to indicate, but it is advice to people who are going to come back under the influence of the allied countries as the war progresses, and advice to be followed immediately the war is over in those countries. And so I would like to emphasize the fact that we who are charged with directing policy in Canada think it most essential that wheat acreage should not be increased, and that there should be an increased production of live stock products, more particularly dairy and meat products at the expense of wheat to-day.

I do not know that I can say anything in regard to the last two items that are on your agenda. I would point this out that in connection with number 5; that authority be given to review agricultural research activities; that there has been carried on by the experimental farms branch at the various centres of the branches throughout Canada over a long period of years experiments having to do with all the matters that I think you have in mind discussing under this head. Some men have come to me very recently who have been approaching us in connection with the agitations with regard to chemurgy, and they stated that they

were surprised to find how much had already been accomplished and how much experiment work had been done on the experimental farms in Canada in relation to this matter. These experiments have been carried on during a long period of years and there is information available based on that which I am sure can be made available to this committee.

Authority has also been granted to review the administration of farm equipment rationing; that is under the prices board. I think I said to the committee before that we have had in our department, since the beginning of the war, or from the beginning of the appearance of a shortage in farm equipment, a man who has been assigned to the task of keeping the needs of agriculture before the controller who has the matter in hand. The delegations that have come here from the different parts of Canada—and the representations made to our department have been placed before the controller by our man. Some of our experimental farms have been very close at all times to the needs of the farmers in connection with farm implements. Their findings are available to our representative and he has appeared before Mr. Bloom and others and made representations as to the needs of agriculture in connection with machinery. I think any information which he can give you—he will be very pleased to give during the time that you are making enquiry. I think that is all I have to say at the moment and I would say however that I hope to be able to attend most of the meetings while this discussion continues and will be here for questioning at any time.

Mr. SENN: Mr. Chairman, before the minister leaves, I was going to make a suggestion to him that I think would be of advantage to the committee. He has spoken about the number of boards that have been set up for one thing or another under the Department of Agriculture and I was just wondering if the minister would be good enough to place on our records a list of the boards with their chairmen and their members, and also a list of the advisory committees that have been set up to these boards; and also, if possible, and if it does not take up too much space, copies of the orders in council setting up these boards and as well setting up the advisory committees operating under these boards.

Hon. Mr. GARDINER: I have copies of all the orders in council here and I had thought at one stage of reading them into the record, but I thought they were rather too long for me to do that.

Mr. SENN: Would there be any objection to having them made available to individual members? They are not private?

Hon. Mr. GARDINER: I think there is no objection to that. Dr. Barton is coming before you next and I was going to suggest—I understand he has not the names with him at the moment—that he see to it that there is put on the records the names of the different boards and the names of the advisory committees that have been set up, and the names that have been submitted to us by the provinces of the persons who are being consulted; and also that copies of these orders be made available to you if not placed in your records.

Mr. SENN: I think that will help the committee.

The CHAIRMAN: Are there any other questions anyone would like to ask Mr. Gardiner at this time?

Mr. Gardiner, we thank you very much indeed for the clear outline that you have given to us, and extend our thanks for the time being and hope that you can be with us at least at some of the meetings that are held from now on.

May we have Dr. Barton now.

Mr. Ross (*Souris*): When you are tabling the orders in council under which these boards are set up, will the Minister of Agriculture be good enough to include also the amendments that have been brought up to date?

Hon. Mr. GARDINER: Yes, I think the amendments should be included. They will be supplied to you with all the amendments to date.

Dr. G. S. H. BARTON, Deputy Minister of Agriculture, called.

The CHAIRMAN: We are now going to hear from Dr. Barton. He is quite well known to most of the members of the committee and I am going to suggest that he first give his official title and the capacity in which he is appearing before the committee.

All right Dr. Barton:

The WITNESS: Mr. Chairman, first of all, I am appearing here as the Deputy Minister of Agriculture.

And now, I have not any special assignment and the Minister has covered broadly and pretty fully the matter of policies and programmes and given you a pretty fair idea of the set up of the departmental machinery as well. I had thought that perhaps the best contribution I could make at this time would be to make some review of these boards, their background and origin and their functions in a general way, and their relationships. It is understandable to me that there should perhaps be some confusion in the minds of you people in respect to these boards because we have quite a number of them. There is only one observation I would make there, and what I am going to say is purely from the administrative standpoint; with respect to the boards now. The Minister covered them all in a general way and what I have to say will be supplementary to what he has given you. These boards, each and every one of them, as the minister implied, were established to meet a definite need that was apparent in the department; in other words, they were established for particular purposes. As you know, every one was established by order in council. There is only one thing I want to add in that connection and that is this; under the orders in council establishing these boards the general regulations covering the operation of the boards were authorized of course in the orders, as probably some of you know; in addition to that the boards were given powers to make what might be called operative regulations which could not be anticipated in all cases and included in the original orders in council. Now, in all of these so-called operative regulations of the boards, the regulations are subject to the approval of the Minister of Agriculture. The boards are Department of Agriculture boards and as such operate under the administration of the department and are responsible to the minister.

One other general point I might make here which may be interesting to you is this: the government provides the administrative expenses of these boards but it does not provide the money to purchase the product. It does provide some financial assistance however for the operation of the boards. In other words, these boards may find it necessary, for instance, to take special products, to buy them for what might be to some extent anticipated developments. For instance, they have found it advisable in several cases to arrange to have products dehydrated partly experimentally, and though at very little cost; where there were no orders on hand. In such cases it was thought the government should and the government did provide funds to finance the undertaking; and subject to this condition that the government would be reimbursed fully if possible and in most cases that has been done. In some cases like feed products projects ran for two years and you could not determine just what the actual cost might be or the actual returns might be in respect to them; but as far as that has been possible that has been the basis upon which funds have been granted.

And now then, administrative costs: I do not know whether you want to go into that or not. The supplies board has a great variety of these purely administrative functions; for instance, in the handling of the feed business there are administrative costs quite apart from the actual freight and handling and those costs are purely administrative. And then there are the general

administrative costs of the board. These are chargeable to government account, but those are all expenditures of the board which are chargeable.

By Mr. Senn:

Q. Are those figures all included in the figures that are given in the War Appropriation Bill setting out each of these boards?—A. Are they which?

Q. Are they all included in the figures that are in the War Appropriation Bill?—A. They would all be accounted for; yes.

Q. For instance say the agricultural supplies board, there is a definite amount set there?—A. Yes; the appropriation, you mean.

Q. Yes.—A. That is the general appropriation. It is very difficult for one to determine what these appropriations will be. There is an amount of money set aside for the supplies board.

Q. And there is more than what is included in the War Appropriation Bill?—A. No; I think that would cover it all.

There might however be some emergency develop which would require some additional funds. The procedure then is that the supplies board expenditures apart from the routine expenditures are authorized by council under that appropriation the same as would be true of other general appropriations. These boards all make reports, as probably you know, and these reports are included in the report of the Minister of Agriculture. I have the 1942 report here. I think probably you have all seen it. You will find the reports of these boards there for the 1942 year.

And then there is one other observation I would like to make and it is this: the minister told you that the supplies board was set up soon after war was declared. Immediately following the establishment of the board, conferences were held with the Provincial Departments of Agriculture, because the supplies board as a production agency had to operate very closely in conjunction with the provincial departments. There was a conference held and the whole question of procedure and relationship and plan, in so far as it could be considered and developed at that time, was gone into. There was one general understanding reached at that conference which I think is important and it is this: that in the production program the provinces through the provincial departments of agriculture respectively would assume immediate and major responsibility for the actual program itself.

It was understood, of course, that all dominion men working in the provinces would co-operate with the provincial people, and that from headquarters any men who we might have who were specialists or had particular information would be made available to the provinces. That was the basis of co-operation established. There was no departure in it from the regular procedure because that is the general operational basis of our relationships. The Departments of Agriculture in the provinces are much more strongly manned than the dominion is with regard to field services. That is true of the great majority of them, if not all of them, and I think it is true to say that their major activity is primarily production. That was the working arrangement made at that time, and that is the working arrangement which has been followed since. We have had further conferences from time to time, sometimes to consider some special production problem, and sometimes a general one such as we had last December when the whole program of production for this year and the whole need of supplies was reviewed and plans agreed upon with definite production objectives in the various provinces established.

The Minister has mentioned that I am chairman of the Agricultural Food Board. That is the youngest board, established this spring. That board was established because it was thought necessary to have some such machinery in the Department of Agriculture. The need for that perhaps became definite because of the review of the relations between the wartime prices and trade

board and the Department of Agriculture with respect to both food and agriculture, and as a result of that review the respective fields of the two organizations were more definitely defined than they had been before and this Agricultural Food Board was set up to assume assignments that then came to the Department of Agriculture which before that were handled by the prices and trade board. It was also necessary to have some specific piece of machinery in the department to deal with the wartime prices and trade board in the relations that were outlined at that time.

The Minister read the functions and duties of the Supplies Board. I am going to read the functions and duties of the Agricultural Food Board and I will make a comment or two as I go along.

The first one is this: (1) subject to the approval of the Minister of Agriculture and in co-operation with the Agricultural Supplies Board, to develop and direct policies and measures of the Department of Agriculture for the wartime production of food. In other words, the food board is now the general presiding organization, you might say, within the department for food production programs, and in developing those programs and in implementing them it is working in close co-operation with the Supplies Board and using the Supplies Board machinery, and the Supplies Board will continue to function as it has in relationship with other agencies. (2) To co-ordinate the activities of all commodity boards established under the Department of Agriculture. It has to be borne in mind always that those are really marketing boards. That is how we might regard the Bacon Board, now the Meat Board, the Dairy Products Board and the Special Products Board. These are really marketing boards; they are administrative organizations. Their primary function is to obtain supplies, not assume responsibility for the production of them, but to obtain them on the markets here and forward them to fill the agreements that are entered into between the Canadian government and United Kingdom or other allied governments or agencies. So that the Bacon Board or Meat Board, the Special Products Board and the Dairy Products Board are not production boards primarily. They do come into the production field in so far as marketing activities affect production, and they may affect it very directly, of course, in price arrangements and that kind of thing, but the question of a bonus, let us say, or some financial assistance, is quite apart from the marketing activities and operations that are involved within these boards and they are not responsible for that provision or for any arrangements in connection with it.

These boards have always had a relationship to the Supplies Board because the Supplies Board was the general production board, but they were not tied in very definitely with it on a personnel basis, at any rate. When the Agricultural Food Board was established it was felt that a more definite tie-in should be arranged of all these boards. That has been done through personnel. The Agricultural Food Board has six members on it, three of whom really sit on that board as heads of their respective boards. In other words, if a dairying question is being considered—let us say it is a subsidy for milk or it may be butter or something else—when any dairying question is considered by that board the chairman of the Dairy Products Board is a member of that board. When any question as to the production of hogs, let us say, or cattle or something of that kind comes up then the secretary-manager of the Meat Board is a member of that board. If it is a question of eggs and poultry the chairman of the Special Products Board is present; so that we have through the arrangement of personnel in that way insured that we have co-ordination of all board activities. (3) To direct the diversion of food products in Canada. That is one of the things we do under our agreement as approved by the two ministers, the Minister of Agriculture and the Minister of Finance.

By Mr. Leger:

Q. May I ask a question? You say you have men from each and every board as a member of that board? Does that mean as a member of the Agricultural Food Board?—A. Yes, for the consideration of products with which he is concerned. This has to do really with our relations with the prices and trade board in the division of the field of activities. We naturally come together in a good many places and a good many ways. First there is the filling of contracts or agreements for export. We had that before but that is continued and definitely specified as the Minister has made clear. Our boards handle these export commitments. The product is delivered at sea-board. We have charge of all inspection.

I might say in connection with administration expenses that we use all our Department of Agriculture services, and as a department I claim with some justification I think that for the war work we are doing we have employed fewer additional staff and spent less money over and above our regular appropriation than any other department of the government. I believe that fact can be substantiated. We have utilized our regular services to the full. We have said, "Here is something that is urgent. If what you are doing now is not vital at this time it will have to stand for the time being." In spite of that we have had to bring in a few men with special qualifications for special jobs, and we have had to add in some cases to our regular staff. There has been a big increase in matters like cargo inspection and all that kind of thing. Bacon has to be inspected at seaboard and other products in the same way, but we have carried on with our regular staff with the exception of the addition of a few people with special qualifications and some men added to our regular service.

The second thing is that we divert these food products to meet the requirements of the armed forces in Canada and other priority needs.

The third is at the request of the wartime prices and trade board diversion from areas of supply to deficiency areas in Canada. The reason why we take charge of the diversion is because we have the people who are in services close to these products, in packing houses and in the various factories of one kind or another where we maintain market service. We have the personnel. We are using them in this work in the way I have just indicated.

The fourth is to advise the wartime prices and trade board as to significant developments in the prospective food supply situation. That is put in because it was felt that since we are the people closest to production we ought to be in the best position to determine what the supply position is at a particular time or in prospect. You are all practical men on the agricultural committee, and I know you will realize at once what a problem that is and the difficulties involved in it. We simply have to do the best we can. We can go very far wrong in the matter of our determinations and estimates but it so happens we have got a pretty well manned service across the country in our various marketing activities. We have got men who are production field specialists who are close to the provinces. Through all these agencies we endeavour to determine what our prospective production position is likely to be.

The fifth is to confer with the wartime prices and trade board with respect to price adjustments and subsidies, to increase the production of agricultural products within established price ceilings and to make recommendations to the Minister in connection therewith. Our procedure in that regard is this; we do not sit down as a board and determine a subsidy even if we have consulted the representatives of the people concerned, the producers, and probably the marketing people, without reference to the prices and trade board. The procedure is that we are supposed to go to them. We make our own finding. We do as a rule and then we meet with the prices and trade board and we say, "Here is the product position; this is what it is." Let us say it is canned peas, or something

else with which we have dealt. We go into the production on the present basis under the price ceiling. They say, "What production do you think you can get?" We attempt to answer that. Then the next thing is, what production does the prices and trade board want? They are the supply people. If they say, "We are not interested in canning peas; we can get on without them," then we have not got much case for bonusing peas or dealing with the production of peas on a cost basis of any kind.

They are in charge of supplies for the civilian population. If it were a war order for export then we would have a different approach. If they take the view that the ceiling cannot be changed, and naturally that is the usual view taken in most of these products, then we say, "If you want these peas and you want them in such a quantity here is what we find to be necessary in the way of special assistance." The prices and trade board may or may not agree with us. They may feel if we overdo the subsidy thing we are probably throwing costs out of relationship and will affect their position in their control of prices, and so on. If they agree then we proceed to make a recommendation to the Minister and if the Minister approves it goes from there to council for consideration and approval. If they disagree we make our recommendation just the same to the Minister and if he approves our recommendation the same procedure is followed and at the same time the prices and trade board has a right through their Minister to make their representation. The matter is finally decided in council with respect to a subsidy.

And finally, there is general provision here just to provide a medium through which co-operation between the Department of Agriculture and the Wartime Prices and Trade Board may be maintained. We have to co-operate, as it is desirable we should co-operate and that there should be a maximum of co-operation between our two organizations; because while we represent the approach to the problems from different points of view they are so closely allied and dovetailed that it is in the interest of us all that we should undertake the study as a whole, and it is highly desirable that we work together and that we reach agreement on these various things if it is possible to do so.

And now, with regard to subsidies: I would say, that we have not been very long in operation and so we have not dealt with subsidies to any great extent. The first consideration that came before us was with respect to the canning crops; and by that I mean peas, beans, corn and tomatoes. And now, the procedure followed there was this: we met the producer representatives and some canner people who are concerned with these products, and we made a review of the whole situation with them and got the best information we could from them; and then we discussed the whole matter of procedure and finally reached a decision that the board support a recommendation to subsidize—and these subsidies have been based, take in the case of canned peas, on the 1941 price because there was a small subsidy given last year by the prices and trade board—they dealt with these subsidies last year—and so there was a basis for prices in the subsidies which were paid last year. This year the subsidies were based on the same 1941 price, but they were increased with respect to all four products.

Now, the next group of products that was dealt with were the dairy products and they included butter, concentrated milk and whole milk for fluid consumption. We reviewed the whole dairy product field at that time as these are all tied together, these products, as you know are closely related, interlocked and interdependent, and so one cannot be considered without reviewing the others at the same time. The second thing we had in mind was this; we thought it was highly desirable to establish these subsidies for a twelve-month period so that there would be a settled price basis for the farmers for a period of twelve months in advance; and that was done. The detail you have had before you and I do not suppose I need to read it here.

The third question of subsidies with which the Board has dealt are subsidies having to do with the production of berries and jam, and which is of special interest to certain particular areas. These were dealt with in the same manner as the others and subsidies were recommended. These subsidies are paid by the treasury officers of our department on our recommendation and approval, and we handle them there again through the regular services; in other words, our dairy department is responsible for the administration of the subsidies relating to dairy products, and they are responsible for verifying and approving payment of subsidies and they report to the Treasury Board. Then, with the marketing service, the live stock service and others, it is the same with respect to them. Canned products and berries are handled through our fruits and vegetable service.

I do not know that there is anything more I can say at the time, but since I am speaking supplementary to what the minister has said, and since I happened to head the delegation to Hot Springs perhaps I might venture a word there, and my one word would be this, in confirmation of what the minister has said; that under the terms of reference to that conference the production of food for war purposes and relief matters were not included, so that there was no consideration given to wartime production of food. It was the duty of this conference under the terms of the reference to deal with the post-war period. The post-war period may be a somewhat indefinite thing, as we soon discovered when we began to consider it. It is a very difficult thing to define or determine just what constitutes a post-war period. We have a period now just emerging in some countries, and one which will be apparent in all countries when hostilities cease. In North Africa one can see something of the post-war issue; you have a transition period and there is going to be a transition period in some of the countries if not all as they become free; and there will be a general transition period. All I want to say in that regard is this; that great shortages of all kinds are anticipated in the areas. The reference which received particular mention by the minister was intended definitely and absolutely to apply to the countries under occupation at the present time.

By Mr. Tustin:

Q. I would like to ask Dr. Barton one question: I was interested in his remarks when he said that he had set up a committee in the Department of Agriculture to settle with the Wartime Prices and Trade Board as to the cost of production, and that in his committee in order to get the necessary production certain steps are required and in that respect the Wartime Prices and Trade Board sometimes agreed with them and sometimes they did not. And now, the question I want to ask, Mr. Chairman, is this: Do the Wartime Prices and Trade Board have an investigating committee to go into the cost of the production of these commodities; or, if not, on what do they base their opinion for disagreeing with your committee?—A. In so far as I know they have no committee of that kind; and I might say that we have not as much study as we would like to have; then, too, cost of production figures are very vague things sometimes.

Q. I mean, with regard to subsidies?—A. Yes, with regard to subsidies; but there are two points of view on that procedure, I suppose—I am not presuming to speak for them (the Wartime Prices and Trade Board) but the two conceivable points of view which they might disagree with us would be these—they might say that they are not in favour of the subsidy because we can do without the product; and if they say that we have not much grounds on which to disagree with them. The second thing is they review the proposal from the cost of living standpoint. That is how they do it; and if they thought particular subsidies were going to disturb the level of prices in this country, that they might have some undesirable relationship to their prices policy and might have some effect on the prices of other products they would probably disagree with us.

By Mr. Cruickshank:

Q. Mr. Chairman, might I ask a question while Dr. Barton is on the stand: as I understand it, the Wartime Prices and Trade Board in fixing their price ceiling did not take into consideration the cost of production at all. For instance, let's take milk, they arbitrarily set the price of milk at 10 cents; and let us say that we presume for the purposes of illustration that your board, that is the agricultural board, says that the farmer requires 11 cents a quart to produce that milk; do you not think that such a thing should be taken into consideration?—A. In establishing ceiling prices do you mean?

Q. No, in establishing subsidies.—A. Yes, they would take that into consideration but they would rely upon us for the most part for that information.

Q. Another question there, Dr. Barton: in studying prices do they take into consideration a fair margin of profit, if there is any profit in it at all—would it be possible to take that into consideration in arriving at the amount of the subsidy?—A. Well, profit is like the cost of production in connection with a good many agricultural products, it is rather a vague thing, when you say profit the question arises: whose profit? You see, about the best you could do is to strike an average that is reasonably representative of conditions generally throughout the area where the market is. Our view of it is simply this, that we are concerned with the farmer and personally I regard it as a matter of financial incentive necessary for production.

Q. And now, another question, the cost of production in various parts of Canada varies widely; is that taken into consideration in setting a subsidy? Does it, as a matter of fact, cost more to produce milk in some parts of Canada than in others? The retail price is set in the various cities throughout Canada; and apparently your board and the Wartime Prices and Trade Board are acknowledging that fact in setting up the retail price in the different parts of Canada; that must be allowed for, because it has been established; do they take into consideration the various costs of production in the different parts of Canada?

Mr. McNEVIN (*Victoria, Ontario*): Mr. Chairman, I wonder if before that question is answered I might make just one observation: in view of the fact that it is now twenty-five minutes after twelve, and in view of the further fact that this meeting was really called for the purpose of hearing the minister, the deputy minister and Dean Shaw; and in view of the fact that Dr. Barton and Dean Shaw will be available for further questioning at a later stage in our proceedings, should we not carry through with the original plan and now hear from Dean Shaw? I make that suggestion to you, Mr. Chairman.

Mr. SENN: Well, in connection with that point, I would like to know whether these gentlemen will be available at all times; otherwise, we should put our questions to Dr. Barton now. Would you mind asking Dr. Barton, Mr. Chairman, if he is going to be here and if he will be available?

The CHAIRMAN: Just whatever the committee wishes.

Mr. CRUICKSHANK: As far as I am concerned personally I am interested in dairying. And I don't know whether we are going to get these reports printed and up here for us to use any faster than was the case with the report in connection with the grain board; but so far as I am concerned these reports are going to be no use to me six months from now, I want to have them to work on while these gentlemen are before us in the committee. I have some questions I want to ask Dr. Barton and I want to be able to see what his replies to them are in our printed record; and so far as I am concerned I want to be assured that I am not going to have to wait six months to get that. If I do not know what he says, what line the proceedings take, how am I going to be able to ask my questions?

The CHAIRMAN: Dr. Barton is still here and I think it would be agreeable to have any further questions asked of him that members wish to ask. I think Mr. Cruickshank had a question for you to answer, Dr. Barton.

The WITNESS: I would say this, Mr. Cruickshank, that the cost of production on all these different products certainly cannot be ignored. It has to be recognized, it is there in any financial incentive consideration; but I would not go so far as to say that subsidies are determined on the basis of the cost of production figures submitted.

Mr. LEGER: By what method do you determine the differentials between various sections of the same province, or between the different provinces or different parts of the country; such as between western Canada and the east, for instance?—A. That is a question that has given us a great deal of difficulty, and it is one which came up in connection with canned food production. You have in some areas undoubtedly a lower cost of production than in others and the question is whether you are going to place the bonus on a zone basis or on a national basis; the policy thus far has been to adhere to the national basis. Whether we are completely right in that or not I am not prepared to say. There are certainly objections to the other policy and obvious difficulties in executing it; the basis upon which we have operated this year inevitably in a product like some of the canned products results in something of a compromise as between Quebec and Ontario and British Columbia; they are the provinces principally concerned; and we have tried to reconcile all these interests and to make some reasonable adjustments between them and set a basic price where they will all be given an opportunity to produce. Of course, the only justification of any bonus is because of wartime requirements. Under ordinary conditions these areas would take their choice of either staying in the canning business or get out of it on the basis of the cost of production, depending on how the market is available to their various products.

By Mr. Cruickshank:

Q. As I follow you, you say that the basis of the cost of production is on a national basis?—A. The subsidies are on a national basis.

Q. Do you take the cost of production into consideration in basing your subsidy on a national basis?—A. Oh yes.

Q. And you also said as I understand it in setting your ceiling price; or rather, the Wartime Prices and Trade Board in setting a ceiling price—do they set the retail prices on these?—A. They set the prices.

Q. They do it on a national basis?—A. That is, they set the ceiling prices.

Q. There is another question I would like to ask you: it seems to be the forgotten end in this business, for my part I fail to see any difference in it, but what I cannot get is this; I suppose you consider the quality of milk in setting the prices—and I appreciate the fact the prices are set by the Wartime Prices and Trade Board—but what I want to get at is this: do you differentiate in the quality of the milk in setting the prices, or do you take the 3·5 milk and settle the price on that basis?—A. Our subsidy is based on the milk delivered to distributors.

Q. I don't get that.—A. Our bonus is paid to the producer on the milk that goes into the fluid trade. We have nothing to do with marketing.

Q. What I am trying to arrive at is, is 3·5 milk to be treated as a standard milk; and therefore we have on a certain basis say in one case a premium of 2 cents higher or, 10 cents for it; or as I see it, it must apply, using the figure that is standard, 3·5 milk—what I am trying to arrive at is the net worth in the can of evaporated milk, the same grade of milk, exactly the same as it is in a quart bottle here and the cost of the production is exactly the same; I am speaking of the possessor and the distributor; is not that taken into consideration?—A. You are speaking of the fluid market.

Q. No, I am speaking of milk as it is put into the can. If you have a quality of milk which grades 3·5 milk, if you have that milk going into a bottle for distribution in the city of Ottawa, it is the same milk and it costs exactly the same to produce to the farmer and to the processor; is that taken into consideration?—A. We add 25 cents a hundred on a production basis. It is delivered to the distributor and he handles it after that on any basis he likes.

Q. I want to make that point clear; do you pay that to the distributor whether it is evaporated or fluid?—A. Oh no; they are two separate subsidies, one is fluid milk which is operative now and will run for twelve months from the 1st of May; and the other is on concentrated whole milk products, whether evaporated or dried, that subsidy is the same, 25 cents—on milk delivered to the processor—it is 25 cents irrespective of test and that begins on October 1st and runs to the 1st of May.

By Mr. Cruickshank:

Q. Maybe I am dense but I cannot just seem to get it—you say the period through which this is operative is from October to May?—A. Yes.

Q. What I am trying to get at is as far as the province of British Columbia is concerned that we cannot see in British Columbia any difference in the cost of the production of milk whether it goes into the evaporator can or whether it is peddled in quart bottles in the city of Vancouver. As we see it, the cost of production is the same, it costs the farmer just as much to produce milk whether it goes into a can to the evaporator or whether it is delivered to the retail outlets direct to the consumer at a city point.—A. There are variations as to the cost of production. However, what you say in respect to British Columbia is quite true; I do not think there is any difference in the cost of milk going into fluid consumption or going to the evaporator for concentration. That is not true in other parts of Canada. If we were to recognize that cost factor as practically the same in each case and pay the same subsidy during the summer for milk being concentrated as for fluid milk what would happen is this: in other parts of Canada we would be establishing a preferred market for concentrating purposes and in doing that we would be drawing milk away from our cheese factories near which these concentrated milk plants are largely located outside of British Columbia.

By Mr. Senn:

Q. I would like to ask Dr. Barton a question on the matter of subsidies; I understand that subsidies are usually paid on a definite product, a farmer's product, is that correct?—A. No, they are on the product delivered to the processing factory.

Q. They are on the product delivered to the processing factory?—A. Yes.

Q. In all cases?—A. In all cases, that is right.

Q. That is news to me, I thought it was on a definite product.—A. The prices board themselves paid some subsidies on the finished product.

Q. That is what I thought.—A. I should say this, payment may be made to the processor; we have done that with cheese, it has been done for butter and will be done for other agricultural products as well.

Q. I know, but after all you pay the subsidies or bonus on the butter and not on the milk that goes into the factory to be processed?—A. It will be on the butter fat delivered.

Q. It is paid to the producer?—A. Through the creamery to the producer.

Q. And we have the same process in so far as its relation to canned goods?—A. Yes.

Q. And you make every effort and take every precaution to see that the farmer gets the benefit rather than the processor himself?—A. We certainly do.

Q. In what way do you do that?—A. There are various ways of doing it. The first thing is the fixed price basis, or the specific prices which the canners or manufacturers are paying for butter fat and so on; and it shows as in addition to that claims have to be supported by the necessary documents—purchase vouchers and payment receipts and so on—to satisfy our treasury people as to the validity of the transaction. And now, if the farmer does not get paid for all he delivers, and if the canner does not include him—I suppose you can rest assured that we would hear from the farmer. We approach it from that end, the processor.

By Mr. Leger:

Q. How about the bonus on butter—that is on the cream content, is it not?—A. On the fat.

Q. And you pay 10 cents a pound, I believe?—A. We pay 8 cents during the summer and 10 cents during the winter.

Q. You do not pay a bonus on dairy butter, do you?—A. No.

Q. Well, what is the idea of not paying a bonus on dairy butter? For instance, there are some districts, especially in my riding, where they cannot ship cream in the winter-time, the roads being closed and the creamery being 25, 30 or 40 miles away, and they have no way of getting the bonus on their dairy products. You are rather penalizing these people in the outlying places who have no facilities for getting their cream or butter fat into the creamery and are debarred from taking advantage of this 10-cent bonus in the winter-time particularly. Personally, I think that is more or less of an injustice, and a matter which should be seriously considered when you have anything of that sort in mind.—A. Well, I think it has to be recognized that your point is well taken, particularly in some localities. One of the difficulties, of course, that is presented to us there is to be able to get the information. I mean to say, getting some basis on which you can pay it; when you are operating through the processor or the creamery people you have documents. You may say that there are a lot of people on dairy farms who make what we call dairy butter and take it to the store and sell it; and you might say that the store-keeper would be in a position to vouch for it. Well, that is something; but we have not paid any government money on subsidy on the document of an individual.

Q. Then may I ask you, how do you pay your bonus on milk?—A. On milk, through the distributor's documents.

Q. In Moncton, for instance, we have a milkman who delivers milk; the farmer himself may also be the milkman and do his own distributing of his own product; how does he get paid; through the bank?—A. Yes. His returns are submitted through a provincial board or commission arrangement in the first place. I would have to check up to make sure which. There is provision in each of the provinces for checking these returns.

Q. I understand that in Moncton for instance the milkman, at the end of the month, gets his coupons; he sells a certain quantity of coupons to a resident who takes a certain quantity of milk and gives these coupons in exchange. At the end of the month these coupons are presented to the banks where they are checked and paid, and, if in order, he gets his money. Why do you not use the same process to check butter? For instance, for the sake of argument, let us assume that the farmer has a customer in Moncton to whom he sells a certain amount, say 3 or 4 pounds, of butter every week. Every time he makes a sale to such a customer he would receive certain coupons to show that the butter had been sold and then he could go to the bank at the end of the month and present his coupons on his butter sales and then be in the same category as the milkman is to-day, collecting his subsidy for butter production on the basis of the coupons representing his direct sales.—A. Well,

in reply to that, about all I can say is that we have nothing whatever to do with the coupons, that is a prices board arrangement, that is the consumer end of it.

Q. Well, that would be one way of bonusing everybody.—A. Yes, it is possible for coupons to be used as you say.

Q. Is the Department considering that at all?—A. No, we have not considered it. I do not think the market for dairy butter is anywhere near what it is generally thought; there are not so many people throughout Canada making dairy butter today as there used to be, most of them are sending it into the creameries; and I do not think there is any question about the fact that that is a desirable development in general? The dairy butter position to-day is not anything like what it used to be some years ago; that really is a pioneer condition, and one which is passing. There are a lot of scattered areas where they make dairy butter and there is some good dairy butter being made; but there is also an awful lot of dairy butter being made that could hardly be put in that category.

By Mr. Senn:

Q. Do you think the estimate of the Bureau of Statistics with respect to the production of dairy butter is correct or nearly correct?—A. I do not like to take issue with such an organization as the Bureau of Statistics, but I do not think they have a great deal upon which to base figures, it is an approximation. There is just one other point on this question of the sale of dairy butter and arrangements for its marketing, in the question of ceiling price on dairy butter and arrangements for marketing; the fact that there is no bonus was taken into consideration, and last spring the return for dairy butter was not out of line with what the creameries were getting, including the bonus.

By Mr. Perley:

Q. The dairy butter producer cannot always sell it and what he has left over usually goes to the local merchant. There are lots of people living say 15 and 20 miles away from a town who cannot possibly sell their milk from a can and they dispose of it locally by delivering butter to the general store. There is so much butter coming in that in many instances the merchants were turning it back. I remember on one Saturday I found a farmer who had to take back with him 15 pounds of butter and it was good butter. I think the angle which has just been raised by Mr. Leger is one which is well worth considering.—A. Of course, there is a provision for marketing that butter now.

Mr. PERLEY: There is provision for it?

The WITNESS: Yes, now the prices and trade board will take it off the merchants' hands, but not at the retail price; they will take it off their hands at a price of 3 or 4 cents below the retail price and that butter will be used for industrial purposes by bakers and people of that kind, supplied by the prices and trade board.

By Mr. Quelch:

Q. Why does opinion differ between the Wartime Prices and Trade Board and the Department of Agriculture regarding the prices to be paid; does the final decision rest with the Wartime Prices and Trade Board?—A. You mean the price of the product.

Q. Yes.—A. It does.

By Mr. Leger:

Q. I would like to continue with my point again, if I may: you take the province of New Brunswick in the counties of Kent and Westmorland adjacent to the city of Moncton, where we have all our dairies in the city of Moncton; there is the farmers' co-operative, the general dairies and the Swift people who all

make butter. In winter time, as most of you know, only the main roads are open, the back roads being closed; therefore our farmers are forced to make dairy butter. That is true even of those farmers who in the summer time send milk to the creamery by car to Moncton; in the winter time they cannot do that. Personally, I think a coupon system could be established and that the farmers living away from the main road should not be penalized because of the fact that their access to the creameries is cut off in the winter season.—A. I have no complaint with your argument. It is not a simple thing, I would like to impress that upon you. In the first place we do not pay a bonus on butter, except number 1 butter.

Q. You do pay on butter fat?—A. On number 1 butter.

Q. On butter fat?—A. On butter fat, that is right.

Q. On a pound of butter fat that is what?—A. I was referring to another application of farm assistance we have. It is true that there will be some areas in which there will be some hardship. Now, in these areas about which you spoke, there is no great quantity of butter made down in your area in the winter time, it is not a winter producing area.

Q. Well, I might say that for a number of years our farmers did produce a lot of butter in the winter time. I know that many of them plan their operations so that their cows will freshen in the fall. Some of the farmers produce a lot of butter, I know that some of them produce as much as 50 pounds a week.—A. We were told last spring here, and reference was made in the House, that there was a great quantity of dairy butter for which there was no market. When we investigated we were very much surprised to find how little dairy butter there was available. It is scattered here and there and all over in these little areas. When you begin to work on a coupon basis—I do not know whether it can be worked or not—we are not in the coupon business ourselves, but the Wartime Prices and Trade Board are. I am a little afraid of it. That is my reaction.

Q. Nevertheless you are in the business to see that the farmer gets justice from the department?—A. That is right.

Q. And I think you should find some reasonable way of seeing justice being done to the farmer and not only one group.

The CHAIRMAN: That part of the administration is under Mr. Singleton, is it not?

The WITNESS: Yes.

The CHAIRMAN: Perhaps we could have him over here and discuss that with him at some later time.

Mr. BERTRAND: Dr. Barton was saying a moment ago the price was fixed so as to give an incentive to the producer in agriculture. I suppose he means by that simply encouraging the farmers to go on with their production in spite of all the difficulties with which they are faced, particularly the shortage of labour which exists at the present time. One of the difficulties with which we are faced in meeting the farmers and encouraging them to go on with their production is that they are not all satisfied with the prices that they are getting; and generally, when you talk with them, the underlying difficulty is that for one farmer a price may be an incentive to produce while for another it is not as great an incentive. All farmers are not able to produce on exactly the same basis; one may be able to produce more economically than another. I think you all know what I mean by that. Now, Mr. Chairman, I think one thing that this committee might do to advantage would be to have an outline of all the agreements which have been entered into on behalf of agriculture—I do not mean that any mention should be made of quantities or matters of that kind which might convey information or comfort to the enemy; but I think we should have some indication of what our farmers may expect to produce by way of volume and by way of price; what is

expected of them, and what they are likely to get for undertaking it. And another thing which concerns the farmer at the present time is that they are obliged to sell at prices lower than prices fixed to the retail trade, and it is the spread in between those two prices that gives them concern; and as I see it at the present time there is no way in which we can explain it to them because we do not know exactly what is in it. They go on criticizing, it does not surprise me that they should when these people are under the impression that existing prices are so low that they are being forced to sell their products below the very cost of production. I agree with the view expressed by Dr. Barton that there is need for an incentive to production and to maintain that production. I think that one of the best things that this committee could do would be to establish the facts so that the producer would know that a given quantity of products would be required and would be sold at such and such a price in the allied market and that would afford him a measure of stability. I think some sort of assurance could be given through this committee without mentioning any particular quantity or possibly not even a particular price. But one thing that should be cleared up to the farmer's satisfaction is this question of the spread between the ceiling price and the price which he is getting or what he is going to get for his product as a producer. I was wondering whether we could have an outline of sales agreement made for each of these commodities. I think this would be the best propaganda we could put across in order to encourage the farmer to go on with the production program.

Mr. BLAIR: Mr. Chairman, I believe that we should adjourn now and hear Mr. Shaw speak at the next meeting.

The CHAIRMAN: Mr. Bertrand has asked a question upon which I think perhaps some comment should be made. So far as these commodities are concerned which are shipped to Great Britain, such as bacon and cheese and I guess other products as well, the price received from the British Ministry of Food is all public information. Then we know, for instance, what is being paid for hogs in this country. That is what you are getting at, Mr. Bertrand?

Mr. BERTRAND: Well, I am not asking the price that they are getting in Great Britain or any other countries. I am asking the price which the government is fixing at the present time and the amount of bonus that is being paid over and above on each of these commodities produced. I do not know just exactly how it is at the present time so far as bacon is concerned, or rather what is the price paid for hogs for bacon purposes. But two years ago this government was paying up to \$2.50 bonus per hundredweight, I think it was.

The CHAIRMAN: On hogs?

Mr. BERTRAND: \$2.35 up to \$2.50 on hogs, I think. I declare here that most of the farmers do not even know that the government has been paying this bonus in order to encourage production.

The CHAIRMAN: I do not see why the committee should not bring out the information, if that is what you have in mind.

Mr. BERTRAND: I am asking for details of the agreement. If you do not want to do that, all right; probably it would be asking too much. I am trying to get as much as we can in order to inform the agricultural classes. I should like to get an outline of the agreements, the quantity that we have to produce, the price that they are going to get, the bonus that the government is paying on each and every commodity. Then if we can start with that, we will be able to start somewhere in order to define what are the actions of these boards. As it is at the present time, we are met with one great difficulty over and above all others with the farmer, and it is this: the price is being fixed for them as producers, but the margin is so large between the fixed price and ceiling prices, they think that somebody else is making a great deal of money. If we could

only answer that intelligently, I think it would be a great incentive to the farmers.

The CHAIRMAN: I do not know whether we can answer the question as to how much the fellow in between is making, but I do not see any reason why the information applicable to what you have in mind, or at least most of it, cannot be obtained when we come to discuss, for instance—giving two illustrations—the Dairy Products Board which deals with dairy products and likewise the Meat Board, which deals with meat products. There are other branches of the service that come in there as well. I think most of the particulars can be given, or many of them.

Mr. BERTRAND: That is exactly what I had in view. If we know all of these things, then we can discuss the matter intelligently with the witnesses that we are going to have before this committee. Otherwise we are just going to be picking over or—what did you call it when you were investigating the wheat matter—just going on a fishing expedition.

The CHAIRMAN: That is what we are planning to get, Mr. Bertrand. We are having a discussion of general policy this morning.

Mr. BERTRAND: I want to avoid any fishing expedition.

Mr. SENN: I should like to enlarge on what Mr. Bertrand has said by giving a concrete example. For instance, we know pretty well what the price of bacon is, or the price Britain is paying for our bacon. It is a set price, the same every day of the year. Yet the packers, when they pay for hogs, sometimes pay as much as 50 cents or 75 cents less than they do at other times. The farmer would like to know the reason for that. I think that is just what Mr. Bertrand is trying to get at.

Mr. GOLDING: That is a good point.

By Mr. Leger:

Q. If I understand it rightly, Dr. Barton, you are chairman of the Agricultural Food Board.—A. That is right.

Q. Would I be in order if I were to ask you a question with regard to the slaughtering of meat?—A. I would rather you brought that up with the Meat Board.

The CHAIRMAN: Can we not wait until we get a representative of the Meat Board before the committee before we deal with that? I think I know what you are going to lead up to.

Mr. LEGER: Very well.

The CHAIRMAN: I think Mr. Cardiff had a question.

By Mr. Cardiff:

Q. I should like to ask Dr. Barton what difference there is between the bonus on fluid milk and the bonus on milk delivered for processing purposes?—A. For concentrating purposes?

Q. Yes.—A. There is no difference, except that the one for the concentrated milk products does not apply until October.

Q. You say it does not apply on what?—A. It does not apply until October. It applies only in the winter months. The other one is throughout the year.

The CHAIRMAN: We have had a good discussion, gentlemen, and it is now nearly one o'clock. What is your pleasure?

Mr. PERLEY: Do I understand that Dr. Barton will be available again?

The CHAIRMAN: Yes.

Mr. PERLEY: I ask that, because he has just touched on the food conference at Hot Springs. I think the committee would like to have a little more general information of how they proceeded there, and what our Canadian delegates did there.

Some Hon. MEMBERS: Hear, hear.

Mr. PERLEY: Did they present briefs, or what did they do? I think the committee would very much like to have some information on that. I believe this is the first opportunity we have had of having a delegate who was right there. We could get possibly more information from Dr. Barton than we will get in the house by inquiries or a statement given by the Prime Minister.

The CHAIRMAN: What is the pleasure of the committee right now? It is 1 o'clock.

Mr. McNEVIN: I move that we adjourn.

The CHAIRMAN: Dean Shaw is here ready to go on. Shall the committee meet to-morrow?

Some Hon. MEMBERS: No.

The CHAIRMAN: Will someone move that we adjourn until Thursday morning, then?

Mr. GOLDING: I will move that we adjourn until Thursday morning.

The CHAIRMAN: It has been moved that we adjourn until Thursday morning at 11 o'clock. I declare the motion carried.

The committee adjourned at 1 o'clock to meet again on Thursday, June 17, at 11 o'clock a.m.

CA1
XC12
-A48

Government
Publications

(SESSION 1943)

HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

THURSDAY, JUNE 17, 1943

WITNESS:

Mr. A. M. Shaw, Director of Marketing Service, Department of Agriculture,
and Chairman of the Agricultural Supplies Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943



MINUTES OF PROCEEDINGS

THURSDAY, June 17, 1943.

The Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., the Chairman, Mr. Weir, presiding.

Members present: Messrs. Black (*Chateauguay-Huntingdon*), Blair, Cloutier, Cruickshank, Dechene, Donnelly, Douglas (*Queens*), Evans, Fontaine, Furniss, Gardiner, Golding, Hatfield, Kirk, Laflamme, Lafontaine, Leclerc, Leger, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Nielsen (*Mrs.*), Perley, Rennie, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Senn, Soper, Tustin, Weir, Whitman.—34.

In attendance: Mr. A. M. Shaw, Director of Marketing Service and Chairman of the Agricultural Supplies Board; Mr. F. W. Presant, Feeds Administrator; Mr. Nelson Young, Seeds and Flax Fibre Administrator; Mr. K. B. Conger, Manager, Fruits and Vegetables Section of the Special Products Board.

The minutes of the last sitting were read, and, on motion of Mr. Dechene, approved.

Mr. Shaw made a general statement on the organization and functions of the Supplies Board and the Special Products Board, and was questioned thereon.

On behalf of the Deputy Minister of Agriculture, the following documents requested at the last sitting were filed, viz:—

1. Personnel of Agricultural Advisory Committee;
2. The following Orders in Council:—
 - (a) P.C. 2621, 9th Sept., 1939: Establishment, duties and powers of the Agricultural Supplies Committee;
 - (b) P.C. 2622, 9th Sept., 1939, and amending Orders P.C. 949, 6th March, 1940, P.C. 5526, 9th Oct., 1940, P.C. 3753, 6th May, 1943: Personnel of the Agricultural Supplies Committee;
 - (c) P.C. 4076, 13th Dec., 1939: Regulations respecting the marketing and export of bacon and other pork products;
 - (d) P.C. 4249, 20th Dec., 1939: Personnel of the Bacon Board;
 - (e) P.C. 948, 6th March, 1940: Establishment of the Agricultural Supplies Board and Regulations;
 - (f) P.C. 2138, 23rd May, 1940: Establishment of the Dairy Products Board and Regulations relating thereto; P.C. 2139, 23rd May, 1940: Personnel of the Board, and amending orders P.C. 143, 16th Jan., 1941, P.C. 515, 7th Feb., 1941, P.C. 1984, 25th March, 1941, P.C. 3197, 7th May, 1941, and P.C. 5827, 5th Aug., 1941;
 - (g) P.C. 2520, 15th April, 1941: Establishment of the Special Products Board and Regulations, with amending Orders P.C. 4211, 2164, 9138 and 6836.
 - (h) P.C. 2521, 15th April, 1941: Personnel of the Special Products Board;
 - (i) P.C. 2978, 5th May, 1941: Amendment to Regulations governing the Bacon Board as established by P.C. 4076;
 - (j) P.C. 1562, 26th Feb., 1943: Establishment of the Agricultural Advisory Committee;

- (k) P.C. 1563, 1st March, 1943: Establishment of the Agricultural Food Board;
- (l) P.C. 4187, 3rd June, 1943: Establishment of the Meat Board and Regulations relating thereto;
- (m) P.C. 4188, 3rd June, 1943: Personnel of the Meat Board.

Mr. Shaw being retired, it was agreed to hear Mr. F. W. Presant, Feeds Administrator, at the next sitting.

On motion of Mr. Cruickshank, the Committee adjourned at 1 o'clock, until to-morrow, Friday, June 18, at 11 o'clock, a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 17, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Gentlemen, we have before the committee Dean Shaw who is director of marketing services in the Department of Agriculture and also chairman of the supplies board and the special products board. If the committee is prepared to hear Dean Shaw this morning I shall ask him to take the stand and to deal first with the supplies board.

A. M. SHAW, Director of Marketing Services, Department of Agriculture, and Chairman of the Agricultural Supplies Board, called.

The WITNESS: Mr. Chairman and gentlemen, at a previous meeting of the committee Dr. Barton, the Deputy Minister of Agriculture, in his address indicated how these boards were set up and when they were set up and the purpose for which they were intended, and how they were supposed to operate and so on. I presume that the matter you are interested in in this particular case is to hear something about just what the agricultural supplies board does and how it approaches the various problems that come before it; that is the way I propose to deal with it this morning. It is a little difficult to take up the points that will be of most interest, but by questions you will be able to get the specific information that you desire on any specific problem which may be of particular interest to you.

The board was set up very early in the war—late in the fall of 1939—and at that time Canadian agriculture had not changed at all from a peace time footing. Most of our products were on a surplus basis—in some cases a very considerable surplus—and it was a problem to know how to dispose of them. The war started, but for a year and in some cases, for two years there was comparatively little interest in certain kinds of agricultural products of Canada as far as Great Britain was concerned. Now, it seemed strange to a great many people in Canada that it was not possible right at the beginning of the war to sell all of our surplus to England at remunerative prices; nevertheless the facts are that Britain could not be interested in certain kinds of agricultural products at that time. She was approached, and I was with the delegation that went over there in the fall of 1939 after war was declared, and again a year later, and on both of those occasions there were certain products that it was still quite impossible to interest Great Britain in.

I am stating that to indicate that it was difficult for the supplies board, whose terms of reference indicated that they should pay attention to agricultural supplies in Canada—it was difficult for them to give what the public considered a satisfactory lead, if you like, in 1940 and even in 1941. It was not until late in 1942 that it was possible to arrive at a place where a program could be mapped out in co-operation with the provincial departments and objectives or goals for production in 1943 set up. In 1941 and early in 1942 it was impossible to do that because there was not an outlet; we still had certain surpluses in certain lines. In December of 1942 it was possible to have a conference which set out the various quantities and amounts of different kinds of products that Britain and

the allied nations were anxious to have produced in larger quantities for war purposes. That was the beginning of that phase. There is a different attitude now on the part of allied groups in regard to food products; in fact, all over the world the food situation is creating much more interest now than it did at the beginning. We hear a great deal about the importance of food, but during the first two years of the war the stress was laid upon armaments, and people drifted away from agriculture into industry to make tanks and guns and munitions and planes and things of that kind.

Apparently, the only answer to that sort of thing is that first things come first. Things that were absolutely needed had to be made, and if they were made to some extent at the expense of agriculture perhaps it had to be done at that time. But that is gradually changing. In those days there were surpluses, lots of food, and no rationing of any kind. That has gradually changed until to-day the agricultural picture has come to be on a par in importance with all the other needs, and we find that it is much easier to interest governments everywhere and people everywhere in the problem of food production and conservation and so on—much easier than it was at an earlier period.

The one thing that the supplies board has endeavoured to do from the beginning, and I think has done in every activity, is to co-operate with the provincial authorities. We felt that the provinces were responsible in a large measure for production; they always have been; and they have very good organizations for handling that industry in the provincial governments; and we, by holding conferences twice a year and occasionally more often and inviting deputy ministers with their officials to come to Ottawa to discuss the national problems and also to advise us on the problems as to their particular province—we were able to keep them all abreast, as it were, of any findings or information that we had in connection with production problems. That has worked very well, and we are continuing to co-operate in that way.

Another matter that interested the board was the question of publicity. It was not always easy to tell what sort of publicity was the right kind to use, but in general it has taken the form of advertising in the farm press with regard to specific things like the production of bacon. You may have noticed advertisements that have been run in the farm papers for the last couple of years giving information as fully as it could be given by advertising on the needs of Britain in connection with bacon and so on. The same thing was done with regard to seeds of certain kinds, fertilizers, and a great number of things of that kind. Attention was drawn to the importance of machinery repairs, while at the same time each province was given particulars of the campaign under way, and they co-operated by putting on special provincial activities of their own, sometimes advertising directly in their provincial press, but usually by using their field staffs and extension services which, in certain provinces, are attached to the Department of Agriculture, and in other provinces are attached to the universities or colleges. All of these things were used in every case.

By Mr. Senn:

Q. Might I ask the witness if all the advertising for production was done by the board or was some of it done by the Department of Agriculture?—A. Some of it was done by the Department of Agriculture. Some of it that appeared to be a departmental issue more or less was financed to the marketing service, but what seemed to be more directly charged to the war effort was charged to the war appropriation. That distinction was made where it could be made.

Q. In other words, was there any overlapping?—A. We do not think there was. We try our best to avoid any overlapping. Now, another thing that started in the early days of the board was the issuing of permits to allow materials to leave Canada. That seemed, perhaps, far away from agriculture, but we found at first that millfeeds were leaving this country at an alarming

rate. It was a perfectly legitimate business; it had always been carried on. The mills of Canada milled Canadian wheat for export and they make their money from making flour and millfeeds; both are taken into account. We have always been able to furnish sufficient millfeeds in Canada in peace time and at the same time export a very large quantity to the United States, but in war time that situation very quickly changed. Two years ago millfeeds became very scarce, and the first thing the supplies board did in co-operation with the War-time Prices and Trade Board was to call the millers to a conference and get the information from them as to the exact situation, and it turned out that they were able to sell bran and shorts and middlings in the Boston market in some cases as high as \$8 a ton more than they could get for them in Toronto or Montreal.

Q. Was there a price ceiling on millfeeds in Canada?—A. There was not at that time. That was long before the prices board had adopted the price ceiling principle. Now, that presented a problem. The millers said that it was a pretty serious business to deprive them of a market that gave them \$8 a ton more than this market did. We admitted that, but we said that it had to be done, that we were short of mill feed. We investigated and made surveys in the maritime provinces through the provincial groups and in other ways and we found that they were short because of the increase in live stock that was taking place constantly, and in order to make sure that the feed would be available, not only in normal quantities but in more than normal quantities and to offset the drought that was on at that time, we asked the government to place millfeeds under permit, which they did. That was previous to the export permit branch being set up. And from then until now they have remained under permit, and a very small quantity of millfeeds was allowed out of this country. They are now under the price ceiling, which is a different matter. If that action the withholding of permits had not been taken that material would have been drained out of this country.

There was also the cheese industry, which is important; and the first thing we discovered was that they could not get rennet in Canada because all the calves stomachs from which it is made were being shipped to the United States through the packing houses of this country. This was placed under permit, and there has not been any which has gone over since then. This illustrates some of the matters that came up at the time and had to be dealt with. And there are many other things. The list of things under permit today is a very long one because of the fact that we live adjacent to a nation of 130,000,000 people possessing a buying power that can drain this country dry of any one commodity in a week, if it is not attended to. It has been one of the important activities of the board to keep abreast of that matter, and to endeavour to keep sufficient quantities of feeds and other materials in this country to supply the needs of the agricultural industry.

The CHAIRMAN: Could you indicate in a general way some of the other items that have been placed under the permit system ?

The WITNESS: Some of the other items were coarse grains and feed grains and feed wheats. They are being exported, but permits are now being granted because we have an ample supply at the present time, but the export can be stopped at any time by the non-issuance of permits.

By Mr. Tustin:

Q. In cases where these millfeeds were shipped to the United States where the market is higher and they are prohibited now, is a subsidy paid?—A. No, sir, they lose the difference. Another instance is that of fishmeal which is an important element of animal protein for livestock feed both on the Atlantic and the Pacific coasts. The Pacific coast is a great producer of these fishmeals, and they had a very lucrative market in California at one time. I stand subject to correction, but it seems to me that they were receiving between \$75 and \$80 a ton,

perhaps more. It was necessary to prevent all of that feed from going to California and to put the manufacturers under permit and to force them to service the Canadian trade which they had formerly been in the habit of doing at a much lower price.

By Mr. Perley:

Q. Would that be principally from mills in western Canada?—A. That is from the fish companies on the Pacific coast. I am speaking of fishmeal.

Q. I am referring to the shipments of millfeeds. Would most of that come from the west?—A. Millfeeds would be shipped from most of the larger mills and many of the smaller ones anywhere in Canada—Port Colborne, Kenora, the head of the lakes—but shipments of millfeeds can take place from any point and may be collected from small mills.

Q. I think your report said there were twenty-five different companies affected by this order?—A. Yes; but not all of the mills were engaged in export. Some of the smaller ones never have enough, but whatever number was mentioned is the exact number that is affected.

By Mr. Senn:

Q. Could you say whether there have been any permits refused for the export of either millfeeds or coarse grains up to the present?—A. Oh, yes; last year coarse grains were under permit and there were not any being shipped out.

Q. There is at the present time?—A. There is at the present time because we have an ample supply. The permit system is not an embargo, it is a means whereby judgment can be used as regards the supply position.

Q. When you say that there is an ample supply, have you taken fully into consideration the danger of a shortage of coarse grains in Ontario?—A. Yes, the danger of a shortage of coarse grains in Ontario is under consideration now.

I might mention the question of certified seed potatoes. This is a somewhat contentious matter. It was found early in the spring, as early as February or March, that the Americans were reaching to the maritime provinces for certified seed potatoes and were willing to pay almost any price that was asked, and prices were mounting and jumping 25 or 30 cents a day per bag until they got very high, and it became apparent that we would have no certified seed potatoes left in this country unless action were taken, and they were placed under permit and allowed out to buyers who had been regular buyers of this seed up to the quantities that seemed reasonable to let out. At the same time the buyers of certified seed in the central provinces and other parts of Canada were all circularized and advised to purchase their seed as early as possible because of the position in which the supply was. That is one product that came under this permit system and had to be administered by someone, and the supplies board seemed to be the group who were closest to both sides of the picture—the production end and the buyer end—because it was a farmers' problem at both ends.

By Mr. Perley:

Q. In the report of the Minister of Agriculture at page 155 I find the following:—

..... in eastern Canada of millfeeds from western wheat, companies milling Ontario's winter wheat were allowed to export to the United States 50 per cent of the millfeeds derived therefrom to compensate for the loss taken in selling the other 50 per cent in Canada in competition with millfeeds applying to freight assistance.

Will you explain that? Now, do they continue to export 50 per cent and then do the millers take a loss on the feed in connection with the millfeeds—

A. Yes, that was decided after consultation with the mills, large and small. It was decided that the small mills receive some compensation of some kind to offset the position they were placed in by that fact.

Q. They were getting the freight assistance?—A. The large mills were.

By Mr. Senn:

Q. Referring to the potato situation, there seems to be a suspicion in the minds of some consumers in Ontario that a lot of the potatoes that were shipped from the maritime provinces without a tag on them showing that they were certified seed, have since been tagged?—A. Not if they had been shipped; they may still be tagged if they are in the hands of the original grower.

Q. But they cannot be tagged after they are shipped?—A. Oh, no.

Q. There was a suspicion that that was being done?—A. No, I do not think you will find that that is being done. It has to be authenticated at the source.

By Mr. Evans:

Q. Have we sufficient certified seed potatoes to take care of the demand?—A. That is a difficult question to answer. It is so hard to get at the demand until it actually comes out. We have done the best we could with that matter by circularizing every dealer and every man who has operated in seed potatoes before, and our reports show that they were able to secure, for the most part, all their requirements. Now, there have been a few who have been late, who hoped the market would break or something would happen in another way, and some of those fellows have been disappointed.

By Mr. Senn:

Q. I understand that your board does exercise some supervision over the movement of different commodities from one section of Canada to another. Is that a matter in connection with freight and so on?—A. Only in so far as we administer through an administrator who is responsible to this board the freight policy of the government; that is all. We do not direct the grain. The farmer buys the grain. It moves to him and freight is paid if the proper regulations are adhered to.

Q. If it is a question of a shortage of supply in one section and a surplus in another, do you exercise any control over the movement in that case?—A. We do exercise control in a way by arrangement. We have done that with the mills in many cases at their own suggestion in consultation with them. Where there has been a shortage of millfeeds they have been very willing to co-operate and meet the situation and ship to that point by arrangement.

Q. I was not thinking of millfeeds at the moment. A statement was made a short time ago in regard to potatoes to the effect that there was a surplus or that there is a surplus of potatoes in the west. Have you given any consideration to that?—A. No, that is a matter for the Wartime Prices and Trade Board; that is a consumer problem.

By Mr. McCubbin:

Q. How does your board and the Wartime Prices and Trade Board work; do you work in conjunction with regard to potatoes? I see that twenty-five or thirty cars were to be moved into Ontario shortly from the west. I saw that in Taylor's report in the *Toronto Globe*?—A. They are moving those potatoes from areas where there is, in their assumption, a surplus, and where they can be spared, to areas where there is an acute shortage. There have been 100 cars shipped east. These potatoes are gathered by the pools and their agents in different places in the provinces and rolled east and distributed or directed to certain points or places by the Wartime Prices and Trade Board.

Q. Do they take care of the seed end also?—A. No, the seed end is handled through the supplies board.

Q. And is it your intention to take care of that situation in western Ontario as regards seed potatoes, to relieve the situation down there?—A. I am not sure that I know what you are referring to.

Q. There is a shortage. We are still planting potatoes on account of the backward weather, but the farmers cannot secure the seed.—A. We have had two applications from western Ontario to export seed, which we turned down, so there are two cars more there than there would have been if we agreed to let them go out.

Q. The statement is correct? You have had two applications?—A. Yes, from parties in western Ontario to export seed potatoes to the United States.

Q. Recently?—A. Yes, not long ago.

Q. There is something wrong then.—A. We knew it was wrong and we did not issue the permit. The potatoes are still there.

Q. They say they are not there.—A. These were there.

Q. I have had telegrams this week. They have got in touch with the companies and they say they have not got the potatoes.—A. That is true in some cases, but in this case the potatoes were there. Their request was turned down.

By Mr. Evans:

Q. Does certified seed come from Saskatchewan?—A. I could not answer that.

By Mr. Leger:

Q. What is the situation in the Maritime provinces as regards seed potatoes?—A. They are practically sold out of certified seed potatoes.

Q. What about the others?—A. I understand they are still finding some table stock. They are still rolling towards Montreal—a number of carloads from each province.

Mr. McCUBBIN: Are the western potatoes good for seed in our district?

The WITNESS: I would think so, if they have been properly matured. I see no reason why they should not be. They may not be the best seed, but they would be good seed.

Mr. CRUICKSHANK: You would grow some decent potatoes if you had that seed.

Mr. McCUBBIN: We do. Your department is trying to get seed potatoes for us in the Maritime provinces, but I see that Taylor comes out and says they are getting potatoes for the consumers from the west. Then, the western potatoes cannot be any good for us.

The WITNESS: The western potatoes are likely to be mixed in variety because a full carload very seldom originates at one point. But there are a number of varieties grown and they are likely to be mixed; but as far as the actual growing qualities are concerned they are all right. With regard to certified seed potatoes at this date, the 17th of June, it is much later than usual and it is very seldom that there is a need for certified seed in Canada as late as this.

Mr. McCUBBIN: That is due to the weather.

The WITNESS: Yes. The certified seed potatoes after about the 5th of June are usually sold as table stock and go out as any kind of potatoes because planting is over. This year planting is late and the demand for certified seed was so much keener at an early date that the seed potatoes are getting short at the present time, and much of the late planting will have to be done from the best sort of table stuff that can be secured. There is no alternative to that.

Mr. TUSTIN: Is it not a fact that there is a general shortage of seed potatoes in this country?

By Mr. Hatfield:

Q. Can table potatoes be sold for seed?—A. According to the regulations in the Seed Act they cannot be sold commercially, advertised and dealt in as seed potatoes, but when a person buys potatoes there is nobody who has very much to do with the matter of whether he eats them or not.

Q. They cannot sell seed unless it is certified?—A. That is true, but you can sell potatoes.

Mr. CRUICKSHANK: Is the freight paid on western potatoes by the government?—A. I could not answer that specifically. It is a wartime prices board problem, and payment would be paid to the extent necessary to allow them to be sold under the ceiling.

Mr. PERLEY: Would not that come under freight assistance?

The WITNESS: No. It comes under the stabilization corporation who will take care of any costs there.

Mr. WHITMAN: Is there a ceiling price on seed potatoes?

The CHAIRMAN: Gentlemen, I know there is an inclination to ask questions so as to elicit information, but Dean Shaw has to go away this week and he will not be back for some time, and I was wondering if the committee would be willing to allow him to complete his statement. I am sure we can get this information later by questioning.

Mr. SENN: I suppose I was responsible for starting this inquiry. So far as I am concerned, I am prepared to listen to the witness.

The CHAIRMAN: I think it is desirable to clarify these points as we go along, but sometimes they are clarified in a later statement.

Mr. CRUICKSHANK: Will the witness be available again?

The CHAIRMAN: He will not be available on certain days next week, but other officials administering the different items will be here, and he will be here at a later date if the committee requires him.

By Mr. Hatfield:

Q. With regard to the planting of certified seed next season, there will not be any seed because the regulations for planting seed next season will be that you must have foundation seed to have it certified. Now, there is very little foundation seed in Canada, and the supply will be very limited, if you carry out that regulation. If you carry out that regulation there will be practically no certified seed next season?—A. That regulation is one of the department's regulations, and if what you say is correct, action will be taken in sufficient time to make it possible to produce certified seed from other sources rather than from the foundation stock.

Mr. HATFIELD: I refer to perfect seed; there is very little of that in the country.

The CHAIRMAN: Will you continue, Mr. Shaw?

The WITNESS: Another thing of interest to the board which was brought to their attention partly but not entirely—it was obvious to many members of the board—by the oil administrator of the Wartime Prices and Trade Board was this: at an early stage of the war it became apparent that oils and fats would be valuable and would tend to get scarce, particularly after the United States came into the picture, and it was suggested that Canada should, if possible, endeavour to supplement her natural supply with some additional ones if she could in any way. There were certain campaigns put on with regard to saving fats and things like that, and with regard to the production of this product

it came before the supplies board and was considered carefully by them in co-operation with the oil controller, and it was suggested that the flax crop might be increased for the production of linseed oil. You are more or less familiar with that picture. Canada is growing a bit more flax to-day than before. It became necessary to make an inducement in the form of a fixed price to make sure that the necessary flax would be grown. Another oil supply is sunflowers. Although in some parts of Canada they are grown very little, in other parts they have now become a field crop, and they are being grown now in thousands of acres for the purpose of producing seed from which the oil is extracted, and this particular oil is of a very high quality. It is equal to many of the domestic oils for table use and Canada can produce it. Because it is a new crop we wish to ensure that it be grown under proper conditions and that a fixed price be set up which I think, if I remember rightly, is 5 or 6 cents a pound for the seed when delivered.

Rape seed oil is another one that is particularly useful in marine engines. They use it almost entirely for that and for certain other equipment, and it is a scarce article. It comes from a South American species of rape which is something like the common Dwarf Essex rape. It is not grown in Canada. However, we have secured sufficient seed to plant some 6,000 to 8,000 acres.

Mr. EVANS: Was that in the west?

The WITNESS: We endeavoured to plant a good deal of that in the east, but we were unable to interest the eastern farmers sufficiently in the growing of it, and we had to take it west, and we are getting it grown there in large blocks.

Mr. CRUICKSHANK: It is a new crop?

The WITNESS: Yes. Another thing you have heard a great deal about is rubber, synthetic rubber. It has been said that synthetic rubber is not the complete answer, that synthetic rubber is a great step in advance, but it requires a small percentage of natural rubber to be mixed with it to make a perfect product. I do not know much about the technical side, but that is the statement we get. And so the Department of Munitions and Supply and the National Research Council and the science services and experimental farms all became interested in the question of growing natural rubber in this country. Russia has succeeded in growing a species of dandelion successfully from which they could extract rubber in considerable quantities.

Another plant is the native milkweed of Canada. It produces a very considerable quantity of rubber. After considerable consultation, and after being assured by the Department of Munitions and Supply that they wished to have this material produced and grown, and in co-operation with the National Research Council who are going to work to put up a pilot plant that will extract the rubber. The supplies board have undertaken to have the material grown in quantity—both the Russian plant which was grown last year and the milkweed which will be grown this year to the extent of about 600 acres. That is quite a big field of milkweed.

Mr. LEGER: Where is that grown?

The WITNESS: In Ontario. That seemed to be the only decision that could be made because of the time factor this year. We only received complete assurance from the Department of Munitions and Supply with regard to financing the growing of this crop a short time ago, and it was quite impossible to give consideration to the growing of areas of it in different parts of Canada. However, the experimental farm services have been growing it for two or three years experimentally in every province of Canada, and Ontario is a natural habitat of the milkweed and it grows well there, and it was decided for this year that that is where it would be grown.

By Mr. Ross (Middlesex East):

Q. Has not milkweed a very high content of the ingredient necessary for the manufacture of rubber?—A. I believe it has. I believe it is one of the most promising of the plants they have experimented with.

Q. It is not hard to grow, is it?—A. I do not think so, but there has not been quite enough done on that yet.

Q. It is not hard to grow; it is not difficult to raise.—A. I do not think so. I think it can be grown.

Q. What type of soil is most productive in the growing of milkweed?—A. Clay loam under natural conditions—clay loam sometimes verging on the light with sand and a bit of gravel.

Mr. CRUICKSHANK: Ontario will grow any weeds.

The WITNESS: Oh, yes; they have them all.

Mr. PERLEY: How is it harvested?

The WITNESS: I cannot answer that question. I believe that it is not difficult. They harvest the pods and the leaves. The rubber is contained in the leaves and certain parts of the stem, and from the pods they obtain the floss which is also of value in some kind of manufacturing work. But the rubber comes from the leaves and from the stems, I believe, and it would appear that it would be harvested with a binder or some machine like that. It is upright, stiff-growing; the dandelion is not; it grows close to the ground, and the rubber is contained in the roots and it has to be ploughed out and all the roots have to be saved and dried in order to get the rubber content from that plant.

Mr. Ross (*Middlesex East*): Has the department made any effort to spread this information among the farmers?

The WITNESS: The matter was taken up, as I explained before. The time factor was important. It is planting time now. When we decided upon this course some time ago we hadn't time to consider other provinces; so we took the matter up with the Department of Agriculture in Toronto with the deputy minister, Mr. Reek, who had been interested in this before, and he undertook to co-operate and to circularize farmers in certain counties in Ontario that seemed to be suitable for this type of thing; and that is the way it is being handled this year.

Mr. Ross: Is that Mr. Reek of the Department of Agriculture at Toronto?

The WITNESS: Yes.

Mr. Ross: What are his initials?

The WITNESS: W. R. Reek.

Mr. McNEVIN: The municipal representatives of the Ontario Department of Agriculture in the counties in which it was deemed possible to make a success of growing the milkweed were contacted and the district agricultural representatives then went out through their counties and contacted the farmers who were willing to sow milkweed seed.

By Mr. Leger:

Q. I understood the witness to say that the experimental farms in Canada had made experiments and that all of them had grown this product with success?—A. No, I did not use that last sentence.

Q. Did they not grow it with success?—A. It may have been done with success. The experimental farm services have tested this plant at all their stations in Canada in order to get all the information they can about it.

Q. What was the result?—A. I could not answer as to the exact results. It would not be a 100 per cent success. In some places it would be a success and in some places it would not.

Q. Were there failures in the maritime provinces?—A. I do not know.

The CHAIRMAN: I think we can get all that information with the complete details from Dr. Archibald when he is before the committee.

The WITNESS: In Ontario I think a large percentage would be grown in the vicinity of Peterborough.

Now, there is another point that might be of interest in answer to some of the questions concerning milkweed. It was necessary for the National Research Council to build a pilot mill to do this particular job. This stuff has to be grown in a reasonable area in one part of Canada because it cannot be shipped backward and forward all over the country, and for this year the decision was that it would be done in Ontario, but I do not know where the pilot mill will be, but it will, no doubt, be in proximity to where the stuff is grown.

Mr. PERLEY: I think we had better have the witness finish his statement.

Mr. LEGER: I think this is very important. I realize that this material must be grown near the synthetic mills, but the experience we have had throughout this war is that everything seems to be concentrated in Ontario and Quebec, and the maritime provinces—

The WITNESS: I am coming to New Brunswick in a few moments.

Another thing that interested the board was the question of fibre flax—not the ordinary flaxseed but fibre flax which is grown largely in Quebec and Ontario—mostly in two provinces in Canada, although there is a little grown in Manitoba and some in British Columbia, not much. Quebec and Ontario have been the pioneers in the growing of fibre flax, but at the beginning of the war the industry was not in a very flourishing condition. There were quite a number of groups that were growing and processing fibre flax, some co-operatives and some independents, the product being sold largely to Britain and some to the United States mills. But the British Ministry of Supply indicated that they would like all of Canada's production of fibre flax. They made arrangements with other parts of the empire, Australia and New Zealand particularly, to produce fibre flax for them, and the governments of those countries undertook to assist in various ways by providing machines and by payments of various kinds to have it grown. Our industry, however, was older than that of New Zealand and was already set up with mills and was a going concern, but since the last war, when it had been at its peak, many of the plants had deteriorated from the standpoint of machinery, they had worn out, and they were short of processing equipment. The work had formerly been done largely by hand—hand-scutching flax with a Flemish knife—it is all right but it requires a large number of men who can be hired at not too high wages. After the first year of the war it became impossible to get labour and they had to revert to machines, and it became necessary to look at the machine situation to see if those machines could be secured. It was discovered that there was one machine of a certain type in Canada, the Etrick Tow Scutching Machine. It is a German machine and was brought to this country some twenty years ago, and it was the only one of its kind on the North American continent. There were a few other machines doing the same job, but not so well. They were inferior in many ways to this type of machine. We investigated and found that it could not be replaced; it could not be got from any source now; it formerly came from Belgium. There have been several in Canada and they have disappeared, have become worn out. It was decided that the only way to secure a machine suitable for this work was to build the machines. The supplies board, after consultation with the flax growers, decided to ask the government to allow them to proceed to get the plans of this one machine and have ten machines built, duplicated. That was done in Canada and these machines are all in operation, and have been in operation for two years.

By Mr. Cruickshank:

Q. In what part of Canada?—A. They are in Ontario and Quebec.

Q. The province of British Columbia tried hard to get one last year.—

A. Oh, but they did not have any flax to put through it.

Q. What?—A. That was the difficulty.

Q. They did not have any flax? What do you mean? Just a moment, now, I want that point cleared up, because the minister has letters on his file asking for this machinery, and there is some guarantee to these flax growers that they would have the machine, and this year they are building a plant. They have 1,000 acres under cultivation. Now, are they going to get a machine? They are paying for the plant themselves.—A. If they have 1,000 acres of flax they would be entitled to a machine.

Q. They are putting it in this year. Will they get the same treatment as they are getting in Ontario and Quebec?—A. Yes, if there is a machine in Canada.

Q. Will you take one away from Ontario?—A. We will not take a machine from anyone who has bought one. We are not loaning these machines; we are selling them.

Q. Is the federal government not paying for these machines?—A. Yes, but we are selling them to the plants.

Mr. BLAIR: At what price?

The WITNESS: At cost.

Mr. BLAIR: What is the cost?

The WITNESS: Between \$9,000 and \$10,000.

Mr. RENNIE: Who is building these machines?

The WITNESS: Frost & Wood.

By Mr. Cruickshank:

Q. Will all provinces be treated equally? I understand from you that the federal government is not paying for those machines. I want that point cleared up.—A. How do you mean?

Q. You say the producers are buying them themselves?—A. Oh, yes.

Q. Will the farmers in the province of British Columbia have the same treatment as to buying one of these machines as people in any other province?—A. Yes, if they have enough flax to warrant it.

Mr. BLAIR: And the money.

Mr. CRUICKSHANK: We have the money.

The WITNESS: We had mills that were financially able to buy a machine but they were not allowed to do so because they didn't have enough flax. There are others who could use the machines to advantage but the machines are limited to ten in number.

Mr. CRUICKSHANK: We are financing a large plant ourselves with the aid of the provincial government. They are giving us \$90,000. If they are prepared to put \$90,000 into this affair, surely that will warrant us getting a machine or having the privilege of buying a machine?

The WITNESS: I think so. I do not think there is any difficulty there.

The CHAIRMAN: Could the witness proceed?

Mr. CRUICKSHANK: This is very important to the province of British Columbia.

The WITNESS: You might be interested in knowing who has the tow scutchers. We built ten and I say we sold ten. One is at Alexandria, at DeBeaujeu, Quebec. The co-operatives there bought two of them; La Societe Liniere D'Acton Vale Inc., Acton Vale, P.Q., bought one machine; Gordon & Son of Blyth, Ontario,

bought one machine; Co-Operative de Lin de Casselman, of Casselman, Ontario, bought one machine; Societe Co-operative Agricole des Producteurs de Lin de Ste-Martine of Ste-Martine, P.Q., bought one machine; Societe Co-operative de Producteurs de Lin de St-Jean, St-Jean, P.Q., bought one machine; Hesky Flax Products Limited, Toronto, Ontario, bought one machine, and Laurentian Flax Products Co. Ltd., Richmond, Ontario, bought one machine. The Hesky Flax Products Limited mills are at Seaforth and, by the way, they are the people who owned the original machine.

That took place on the first operation on the flax and did away with the hand labour, and we got the thing going. The next year it took care of the handling of the line fibre, the expensive part of the fibre which is the flax that can be combed out to 15 or 20 inches. It is not tow; it is a higher class product. Now, there is another European machine called the Vanhauwaert, and there were ten or twelve of them in this country, and all were in use, and ten or twelve more were required. After we had established the tow scutching machine, which was the first one in use, we asked to have ten Vanhauwaert machines built, and that was done on the same principle, and they are all in the hands of mills—pretty nearly the same ones who bought the other ones—although there are one or two additions. They are all in operation and turning out this product which is being sold under the direction of the flax administrator to Britain and the United States. There is an agreement on this year's flax with regard to price. This was reached in consultation with the growers and processors and representatives of the British Mission at Washington. Britain undertook to take 50 per cent of this product and 50 per cent was to go to the United States, but in case the United States did not require the 50 per cent Britain would absorb that quantity as her share.

Mr. TUSTIN: Who is the flax administrator?

The WITNESS: I should have mentioned that that is one of the things we had to do in connection with some of these activities of the board; we had to get the matter into the hands of someone who could look after these things specifically, and it was recommended that a flax administrator be appointed. We secured the services of Nelson Young, a departmental official of the Department of Agriculture who has been handling the fibre flax industry and has been doing that since he undertook to take hold of it.

By Mr. Senn:

Q. Could you say how much the production was last year and how much there will probably be this year?—A. The production is about 50,000 acres.

Mr. NELSON YOUNG: Forty-seven thousand acres last year.

Mr. SENN: I am referring to the yield.

The WITNESS: This statement gives the acres from 1939: 1939, 8,300 acres; 1942, 47,000 acres; 1939, eight mills; 1942, thirty-eight mills; tons of flax in tow, 1939, 1,300; 1942, 8,731; value in 1939: \$837,000; 1942, \$3,202,680. That gives you a rough picture of the gross. It has grown rapidly and it has come to a point now where the matter of labour, which affects all industries in Canada, is a factor.

Mr. SENN: It is well worth while.

The WITNESS: Oh, yes.

Mr. MATTHEWS: Could you give us a break-down of the acreage for 1942 into provinces?

The CHAIRMAN: Gentlemen, I hesitate to interrupt, but we are going to have Mr. Young, the gentleman who is looking after all this, before the committee, and he could give you the particulars. The question I wanted to ask the witness was: did these ten machines that the department manufactured handle all this stuff?

The WITNESS: No, they were in addition to the machines they already had. That machine handled all that kind, although there were other machines on the market made by a Quebec firm. They are making some of these, similar things, but not the same.

I can give you the break-down that was asked for: for Quebec it is 28,000 acres; for Ontario it is 17,000 acres; for Manitoba, 1,119 acres; for Alberta, 157 acres, and for British Columbia, 107 acres. I may say that some parts of aeroplanes are made from fibre flax.

By Mr. Hatfield:

Q. Is there any fibre flax grown in the Maritime provinces?—A. No. It has been grown experimentally at the stations, but there has been no interest—not sufficient interest to warrant a machine being built. It requires a considerable outlay.

The next thing that came along was agricultural equipment, and the supplies board has from the beginning tried to keep a step ahead of the shortage that might develop, and it is an almost impossible thing to do. Nevertheless, I think it must be admitted now that the shortages that threatened two years ago in connection with agricultural equipment have not developed to the extent that it was thought they might. For instance, one was in connection with dairy utensils. At one time the supply of tin and materials of that kind was in such a position that it looked as though there would not be enough to go round and that there would be no replacements. However, that condition has cleared up, and although it is still acute in certain places, it has cleared up in the over-all picture, and there has been some metal issued for that purpose, and much of that has been brought about on the recommendation of this board. But the metal controllers constantly ask advice in connection with things of that kind.

Another case in point is the cheese box situation. That has been acute. On a number of occasions in order to get boxes in sufficient numbers to export this great quantity of cheese that is going forward substitutes had to be used, and bonuses have been paid to the box manufacturers to enable them to go ahead and make those boxes; but it has been done, and all the cheese so far has had a box to be shipped in. To-day over half of it is shipped in fibre cases because we cannot get veneer. These are problems that are facing us all the time, but we are in contact with the controllers and they are co-operating extremely well in that regard.

Then, there is another matter that comes under the purview of the board. We will get requests from various controllers of construction or the people controlling priorities on certain goods and they get an application from someone to build something. If it is agriculturally important it is referred usually to the supplies board for comment—not only comment but a direct answer to specific questions as to whether in their opinion this is essential or whether this is necessary for war purposes and so on; and in that way we are able to assist the various administrators considerably at times in connection with the issuing of permits for various types of industrial activities.

Q. Have you a priority man?—A. We have a technical adviser who is an engineer, but we are using him as a sort of utility man, a liaison officer with the priorities people.

Q. Is there sufficient farm machinery being manufactured to meet the demand?—A. I do not know whether that question could be answered specifically. That matter is under an administrator, Mr. Bloom, and we have simply worked with him. We have brought to his attention things which we thought were important and he has brought to our attention some program that he proposed to put into effect and wanted to know whether the members of the board thought it would accomplish what was intended.

The CHAIRMAN: May I say that the committee has made arrangements for hearing the gentleman to whom Dean Shaw has referred. He will deal with matters concerning farm equipment. I may say that the committee will be able to get all the information they want from him and he will have those particulars in detailed form as to production and requirements, so we can leave that matter until we get these other gentlemen before us and we can go on with the more general statement.

The WITNESS: Now, we come to the next problem—the production of dehydrated products. This is something that Great Britain and the united nations could not be interested in in the first two years of the war, which is an amazing thing when you consider what has happened in the United States in the last two years as compared with their attitude towards these things during the first two years. There is such a complete reversal that it has created lots of difficulties. We felt from the beginning, as a board, that dehydration of foods was necessary in view of the shortage of containers and due to the shortage of shipping. We felt that these two things were so important that they would have a bearing upon the movement of foodstuffs, and that is exactly the way it has turned out. Now, believing that, the board went a little way out on a limb, perhaps, in making a recommendation of a request to the minister to receive authority to assist five dehydration plants that were at that time operating in a very small way in Canada—to assist them with some equipment in order that they might be able to be built up to the point where they could meet these demands when they came. That request was granted, and we undertook to get these five plants that were already operating in a very small way into operation and somewhat standardized so they could turn out the product in the same way in each plant. The first thing to do was to call them in. There were only five in the whole of Canada interested in this kind of thing. I say only five—there were more dehydration plants if you take in the apple dehydration plants in the Maritime provinces—but they were not interested in the drying of vegetables and had no experience in it.

So these people were called in and the position was explored and they agreed voluntarily, if we would undertake to furnish them with what we considered necessary in the matter of pre-processing equipment and furnish them with the standard of requirements with regard to the quality of the product—they would undertake to produce under strict supervision and direction the first year. We, of course, had to undertake to buy the product which we did on a cost basis. Some people got the idea that the government or the supplies board were building dehydration plants and we began to get applications from all the provinces and from hosts of people who had plants of one kind or another or some kind of equipment for permission to engage in the dehydration of vegetable products. The matter was really in the experimental stage, and we decided in the beginning not to build plants. I will quote some figures which will indicate the amounts of money we spent in developing this business. The first four plants which we assisted in 1942 were the Berwick Fruit Products plant of Berwick, Nova Scotia, \$3,535.02; Grahams Dried Foods Ltd., Belleville, Ontario, \$5,804.19; Beardmore & Co., Ltd., Oakville, Ontario, \$4,049.38; Bulmans Ltd., Vernon, B.C., \$2,523.61.

Now, these amounts vary. These plants were going concerns. Some had some equipment and some had not, but the most of them varied and were dealt with as individual units. We own that equipment, some of which we, perhaps, will sell to the plant itself, but it was not given to them. It was all to be returned. That made it possible for these four plants to produce a product that was entirely satisfactory for the most part in 1942. There was very little objection to it, and it was standardized.

In 1943 it became obvious that the British Ministry wished to secure a larger quantity of dehydrated materials from this country, and we said that in order to do so we would have to develop some additional dehydration plants,

and again the question came up whether or not we should build them, and the decision was against the procedure. We thought, after consulting with growers and plant people in various parts of Canada, that the best procedure would be to follow the same policy we had the year before, but now that we had sizeable contracts we would be able to place contracts with each plant and place restrictions on them in regard to their methods of operation and so on, and that is the way it worked out. The demand arose for a considerable quantity of potatoes. Naturally when one thinks of potatoes in quantity one thinks of the maritime provinces. It was decided to endeavour to see whether dehydration could be developed there near the source of supply, because that is a cardinal principle in dehydration; that is where the plant should be, where the material is grown and not to have to ship it long distances to the plant. We discussed the matter with those interested in the maritime provinces and finally decided on a plant at Summerside. This was done through the provincial government. They undertook to pick the location and would abide by the decision of our inspectors as to whether the location would be satisfactory, and they undertook to build their plant, to underwrite it and to undertake the necessary expense to have it built. We agreed to equip them with the type of processing machinery that was required, and I might add here that this processing machinery is extremely hard to get and it is very doubtful if an individual plant would make very much headway in getting it unless they bought through a government agency. That plant is known as the Island Foods Incorporated and they manufactured potatoes this year for the first time and did a very creditable job. This was done and they are now ready to operate next fall under contract. Then there is the Pirie Potato Products Limited of Grand Falls, New Brunswick. Mr. Pirie owns a starch factory, which is quite extensive and he wished to extend his operation to include dehydration, and he was assisted with equipment and developed his plant and got into operation rather late last fall and did an excellent job of dehydration at the end of the season. Then there is the New Brunswick Potato Products of Hartland, New Brunswick, and that is another area noted for the development of the potato industry, and there is also a starch factory operated at that point as well. Here again the same conditions apply. An addition to the starch factory seemed to be a logical way to take care of dehydration and it has worked out well. The Hartland plant is operating and getting into operation a little earlier than some of the others and handled a very large volume of business entirely satisfactorily. The other one is the Kildonan Canning Company of Manitoba. It is located just outside of the city of Winnipeg in the centre of a great gardening area where fresh vegetables are grown extensively, but owing to the lateness of the arrival of some of the equipment, particularly the fans, it was impossible to get the plant under way last year. Coupled with that another thing happened; the potatoes of the Winnipeg area last year were not very good, they rotted and the price rose very fast and made it impossible to buy potatoes at that particular point in sufficient quantities to keep within our contract price with Great Britain. So that plant did not operate last year, but it was really in shape to operate about Christmas time. It is all together now. The money spent in these plants is different from in the case of the first four. In the case of the first four it was from \$2,000 to \$5,000 and in the case of these last four the range is from \$9,000 to \$14,000, in the case of the plant at Hartland. The reason for that is that these plants had none of the equipment at all. Our arrangement with them was that they would build the plant, put in the power plant, the machines, the tunnels and all the fixtures necessary except the processing equipment, and we would furnish that, and it would be sold to them, but at the moment it belongs to the government. The plants at the present time in operation have contracts.

There are two more in Ontario that will come into operation this year which belong to the Canadian Cannery. They have been assisted in connection with

advice and in getting priorities on equipment, but they have been granted no funds. They developed their own equipment and put the plants in very good running condition.

Another one that is operating this year is Libby's—Libby, McNeill & Libby at Leamington. They had equipment of their own and they are doing a special job that these other plants are not equipped to do. The special job here involved putting up a certain product in a certain fashion. Some plants cannot do that because of lack of certain kinds of equipment. Bulmans in British Columbia is the oldest plant, perhaps, of them all; it has been in operation in a big way and is extremely busy.

A year ago the British government purchased some 3,000 tons of onions through one of our boards, and at the last moment when the onions were on the ground and ready for drying, ready to be put in sacks and to be shipped east we got word that the shipping could not be made available and could we dehydrate these onions. We had never dehydrated any onions except experimentally, and there they were late in the fall, pulling and drying, and the weather was not good. The deal had been made and so we undertook to see if Bulmans could do the work by rearranging some of their work and some of their contracts. He turned his whole plant over to onions and completed the job in a few months to the entire satisfaction of the British people, a perfect job of onion drying.

These are problems that come up all the time and have to be dealt with rapidly so as to solve them. There are two other plants here that are in the course of construction: the Ferdon Registered, Laprairie, Quebec—this plant is being built by a company there, partly sponsored by the Quebec government, and we are treating it the same way as these other new plants by furnishing the processing equipment at the start. The other one is the Broder Canning Co., Lethbridge, Alberta. That company have extensive canning plants at Lethbridge and Taber, Alberta, and they are interested in expanding operations into the dehydration field. After investigation we discovered that that appeared to be a logical place for the development of a certain type of vegetable products for dehydration for this reason that it does not affect seriously the domestic side. That is of great importance from the standpoint of food administration because of the limitations there are there. A dehydration point in an area that is close to a big market centre always has a conflict, and if there is a shortage it is blamed for creating that shortage; but a plant at a point like Lethbridge, where vegetables are grown under irrigation, and would not be grown at all unless the plant were there, obviously has possibilities.

Now, there are plants, as you will see, in every province of Canada with the exception of Saskatchewan. We have had inquiries from there, from independent courses and also from the Government but no action has yet been taken in connection with a dehydration plant in that province. Our intention has been to distribute them as widely as possible and have them located in areas where the supply can be reasonably assured without undue interference with domestic supply of the nearby market.

Mr. CRUICKSHANK: Is there not another plant in British Columbia?

The WITNESS: Yes, at Port Haney. That is partially equipped and has been dehydrating fruits largely up to the present and is desirous of dehydrating potatoes particularly and has gone to the expense, I am informed, of bringing in seed and, I understand, of making contracts with farmers to grow potatoes to be dehydrated by them next year. That is the only information I have with regard to that. We have no contract with that particular firm as yet. It may be possible or it may be necessary to make one. We have about a sufficient number to supply the present need, but these things keep changing from time to time with demands coming in from Munitions and Supply and the British people;

they vary, usually increasing rather than decreasing and sometimes changing from one vegetable to another, and that plant has a good deal of its equipment.

Mr. CRUICKSHANK: It had no financial assistance of any kind?

The WITNESS: No.

Mr. CRUICKSHANK: In the event of it not being given a contract it has orders available that will take all it can produce for the United States; will it be given a permit?

The WITNESS: I could not answer that question. The question there would come very largely as to whether by so doing it might short the supply of potatoes in the cities of Vancouver and Victoria.

Mr. CRUICKSHANK: The position is that it is the only plant—

Mr. MACKENZIE: Are we going to enter into another discussion?

Mr. CRUICKSHANK: I represent this farming district and I speak on the part of a people who have a tremendous investment.

The CHAIRMAN: Ask your questions.

Mr. CRUICKSHANK: I represent a farming district and not any city. All this firm is asking is if they cannot have the privilege of tendering. The American army will take all they can produce if they can get a permit to export.

Mr. MACKENZIE: Let us have a ruling on this discussion.

The WITNESS: I think I can answer Mr. Cruickshank's question. The correspondence he referred to came to my desk the other day for comment, and if I remember I said something like this: We were aware of the plant in question and had it inspected by a dehydration man whose report stated that it was fairly well equipped but lacked certain equipment for the completion of the dehydration processing of vegetables. Now, that means just what I said in the beginning, that this plant is not at the moment in a complete position to do this job. I stated it would probably be possible, that we had no objections, in regard to giving a contract if the products were required, providing they gave assurance on two things: first, that they can do this job to the satisfaction of the board, and second, that by doing it at that particular point they do not endanger or short the domestic supply position. Those are the two conditions and they are very important ones. They are the only points in question. I might mention this, that there are no controls in that plant. Dehydration cannot be conducted without controls, and there has been no application, as far as I am aware, for controls.

Mr. CRUICKSHANK: What are the controls?

The WITNESS: They are the things that control the temperatures in which they are working and without them you would not get very far.

The CHAIRMAN: The matter is still under consideration?

The WITNESS: Oh, yes, it is not turned down or anything like that. If the plant can be used satisfactorily it will be, there is no doubt about it.

Now, there are many other things. One is these annually recurring apple agreements with regard to fresh apples, touched on by the minister the other day, with Nova Scotia and British Columbia, two provinces which formerly exported the bulk of their crop and are a sort of a war casualty. Agreements have been made each year after long negotiations with the growers and people interested in an effort to make a fair season in regard to that particular industry. It has improved the last two years. This year there should be considerable improvement because of the stronger market and the larger quantities required and the firm prices and so on for those products. Conditions are very different from the beginning of the war, but even in the face of that there are some difficulties that they themselves cannot cope with. Ontario has been included, I think, in one year, and I believe this year they have the prospect of a pretty good crop and they may make application this year. I do not know.

There are many other things, gentlemen, that come under the purview of the board, but I think I have touched on them enough to indicate that we are kept reasonably busy all the time with problems new and old, about which we have to do the best we can, and in that effort to do the best we can we have always taken the position that the men who are doing this job now are the fellows who can give us the best advice along certain lines—bring them in to see what they have to say about it.

There is one other thing that has to do with the supplies board. I am dealing with those things which are now handled by the special products board, but they were all implemented in the beginning by the supplies board, because it is the board that can finance these things. That is part of its terms of reference, it has and can get money to do them.

The other matter I wish to refer to is the drying of eggs. It is along the dehydration lines. It is a big problem. I have Mr. Brown here who can answer any specific questions. In the beginning the contract with the British Ministry was for shell eggs—so many hundreds of dozen of shell eggs. That was going along nicely and was increasing and then suddenly again there were no ships, just as in the case of onions. The interesting point is that these things cannot be foreseen. Everything goes along nicely until one day you get a telegram: "Can you dehydrate these eggs". We had approximately 100 cars of them rolling across Canada toward Halifax. We did finally arrange to get these loaded and away, and we undertook immediately to put them in storage to be ready for drying later. There were only three egg dryers in Canada. One is in Saskatoon, one is in Winnipeg and one in Trenton. They are small ones. We brought the operators in and we brought the milk dryers in because we knew that the spray method of drying whole milk would dry eggs. They all co-operated and said that where they could spare their drying machinery they would turn in and dry eggs right away, and some of them were at work in a very few weeks after that date drying eggs for the board, and they did a good job. It was not their primary job and they did not want to continue it. We had to make an estimate of what was required. The decision had to be made whether we would build dryers or assist these people. We finally decided the same way as before—that we would not undertake to build drying plants but we would leave this to industry, the people who know something about the matter and can do it better than we can; but we decided we would undertake to regulate them and see that they are given the proper assistance and the proper protection which they need in starting a business which may only last for the duration and then be worth nothing. The matter was immediately taken up with the accelerated depreciation board.

The CHAIRMAN: I think it is the accelerated depreciation board.

The WITNESS: When an industrialist wants to build a factory to make war goods he makes application to this board for accelerated depreciation. There are various grades depending on what he is doing. Some are successful and some are not. We had the case of these eggs, because in the beginning they were not considered as a war product; Munitions and Supply had not included any food products as necessary for war, and they could not get accelerated depreciation, and, therefore, they would not touch it. We had to go then and get that thing and others afterwards included as war material; just as important as a tank or an aeroplane or anything else, and we had to assure them that those plants were going to be used exclusively for the production of the product to be used by the armed forces. That was the safeguard against letting some persons build a plant and get it written off and produce for the domestic market. That is one reason why they have to keep such close control over these plants to see that they build in accordance with the board arrangement. And the thing developed; we were able to get them the necessary depreciation according to

the kind of plant they were going to build. And here again we tried to use discretion in having them located strategically across Canada where the eggs are produced, not where they are marketed necessarily, to save the long freight hauls of this fragile, perishable product in the shell. And the plants now are located in the west. One is in Saskatoon; that was enlarged; it was doing an excellent job. One is built at Edmonton and one at Calgary. There is a plant in Winnipeg that was already there, and there is another one that the Borden people built. They have others at Belmont, Ontario, and Ottawa. These milk plants are all going out of the picture gradually and the ones built originally for drying eggs are taking over. A milk plant at Gananoque helped us out at the beginning, and the American Doughnut plant at Trenton is drying eggs.

Mr. RENNIE: Who is drying eggs at Belmont?

The WITNESS: Borden's.

By Mr. Senn:

Q. Has anything been done with regard to the dehydration of cheese?—
A. Only experimentally. I could not tell you much about it.

Now, these are the larger projects that we have to meet and face and do something about, and the members of the board are on call all the time, meeting every day if necessary to deal with these things as they come along. There are many specific problems. Other gentlemen can answer specific questions when you come to them. There is Mr. Young who is the flax administrator and also the seeds administrator and he is thoroughly familiar with both. There is Mr. Presant, feed administrator, responsible to the supplies board in regard to the supply of feed and the distribution of it, and responsible to the Wartime Prices and Trade Board in regard to the ceiling prices. There is Mr. Peart who is the fertilizer administrator. He has a report here and there may be some points that someone is interested in. The highlight of that is that fertilizer in Canada to-day is \$2 a ton cheaper than it was before the war and it is the cheapest fertilizer in any country in the world to-day. The reason for that is the controls that Mr. Peart arranged at the beginning when he was appointed two years ago, because he had been in that particular department which dealt with fertilizers for twenty years and he knew the history of it from a detached position, which is a great advantage in connection with an administrator.

By Mr. Perley:

Q. Has the British Ministry of Food a representative in Ottawa?—A. Yes, I should have mentioned that. The British Ministry of Food set up an office in Ottawa, I think, a little over two years ago. For two years previous to that, at the beginning, it was all done direct with London, and then they had a representative at Washington but now they have one right here in Ottawa. That has improved things greatly and made it very much easier to get direct connections. The representative they have had here all along has just returned to the old country and a new man has come out to take his place. They co-operate very well indeed.

Mr. McNEVIN (*Victoria-Ontario*): In connection with this grain assistance policy, I believe a small portion of the freight is paid by the consumer in the province of Ontario—

The CHAIRMAN: Just a moment, if you don't mind, Mr. McNevin; could we clear this matter up first?

By Mr. Blair:

Q. Can the same rollers be used in evaporation and in the process for drying milk?—A. No, they use only the spray dry method. It has to be sprayed into the air. The roller will not make the dry product.

By Mr. Evans:

Q. Reference was made to certain surplus products, would you indicate to the committee what they were; would you enumerate some of those products?—

A. Well, we had eggs; wheat—then and now; we had butter, at that time I think—quite a long group of things; cheese, honey, etc., cattle.

Q. Was there any surplus of these products at that time?—A. Yes, we were shipping cattle to the United States—the quota was always filled and we always had a surplus of cattle.

By Mr. Senn:

Q. Does the wartime food corporation purchase cattle?—A. Not at present.

By Mr. Rickard:

Q. Does your board take into account the apple barrel and box situation?—A. Yes, we would if the matter came to our attention, or if we saw it needed attention, we would take the matter up with the appropriate official in M. and S. or through the war prices board that is in charge of that thing.

Q. That has not been brought to your attention?—A. Yes, it has, and it has been taken up with them.

Q. Do you know if everything has been done with regard to it? It is going to be a serious problem.—A. I cannot tell you. I think there will be something done but the only thing available now is to give a bonus to the barrel manufacturer.

Mr. RICKARD: It is pretty late in the season for that now.

By Mr. McNevin (Victoria-Ontario):

Q. Has your board anything to do with butter?—A. We have made representations in connection with butter boxes; we have nothing to do with butter as butter, it is the dairy products board which deals with that.

Q. Is it your intention to ship butter if a surplus keeps up?—A. That would have to be answered by the dairy products board.

By Mr. Evans:

Q. Your surpluses have practically all disappeared?—A. Yes, they have all disappeared. The surplus, to the extent that there is more than we can use in Canada; but in most cases not enough to supply the people all they would like to have; but there is some surplus as far as we are concerned.

By Mr. Senn:

Q. You mentioned the British Food Commission at present in Ottawa; is your relation with them, is it only that of discussions?—A. We arrange agreements with them. Their terms of reference give them authority to sign on behalf of the British Ministry of Food and take certain action in regard to all the products—

Q. Are these agreements confidential, or could they be produced to the committee?—A. Well, I do not know; it is a government agreement, and whatever is the proper thing in regard to government agreements will be done.

Q. I do not want to ask for them if they are confidential, but if they are not confidential I think we might very well have them.—A. In most cases the information is public property; for instance, the bacon agreement prices have been made public, that information is known all over this country; so far as the rest of the agreement is concerned, it is just a lawyer's document saying we will agree to take from you so much and we will agree to pay you for that at a price of so much—that is about all there is in it.

Q. And the bonus?—A. The bonus does not appear in the agreement.

Mr. SENN: No, but the price is affected by it.

By Mr. Leger:

Q. Has your board anything to do with the ceiling price?—A. We have given it some consideration—not the ceiling price, except that we have made representations occasionally that some ceiling price was a little say out of line or appeared to be too low or too high or something.

Q. You deal with the floor prices?—A. Well, we have given some consideration to it.

Q. Have you given consideration to the establishing of floor prices on potatoes in the fall of the year?—A. Yes, that has been given some consideration and it is one of the hardest agricultural products on which to arrive at a decision that would be completely satisfactory in every case. That is a very difficult product to discuss, putting a floor on potatoes.

Q. On the other hand, it is very difficult for the farmer to know exactly what he is going to do in the spring of the year; if he were assured of a decent floor price he would grow potatoes.—A. Well now, I may be a little old-fashioned, but I do not believe that the Canadian farmer has got to the point where he has got to have someone to tell him what he is going to do in the spring of the year. If he does not know through his own judgment and by watching the markets and knowing all that his neighbours know and everybody else, if he cannot then make up his mind in regard to his year's performance, I do not know anybody who can help him. Now then, if you put a floor on potatoes high enough to interest the people—everybody will be prompted to grow potatoes and then somebody has got to decide what to do with them.

Q. You control the wheat question, do you not?—A. No.

Q. You do not control the wheat question?—A. No.

Q. You do not pay them for the wheat; is the farmer not entitled to his cost of production?—A. I repeat what I have said before; I am not sure it is possible to develop a program that will do that thing, that will give the cost of production; because the cost of production varies everywhere. If there were a floor on potatoes it would be possible for any area to increase its potatoes to an unlimited degree. It is a difficult problem, and I fear that it is one that we have not yet made a decision on.

Q. Comparing the wheat question with the potato question, you tell the western farmer that he will be allowed to dispose of 15 bushels per acre?—A. Yes.

Q. Or if he does not grow wheat and grows coarse grains he is going to be paid so many dollars per acre. You do not do anything of that kind for the potato farmer; you do not tell him he is going to have a certain price say in the fall of the year; you do not tell him anything, and you tell the farmer that he should know all that himself—A. No, no.

Q. You protect the wheat farmer—A. No.

Q. At our expense.—A. That is a different problem. The action in connection with coarse grains was to place land that is ordinarily being used to produce a cash crop such as wheat into coarse grains. Some policy had to be adopted, and that is what it was. Whether it was the right one or not, I am not in a position to say; but after all it did accomplish its purpose which was to increase the production of coarse grains. But not potatoes. We would like to get the potatoes—and apparently most people think we will get them by the fact that prices are firm and strong. The United States is in a very short position and Canada was short lately; but the whole picture is one that farmers ordinarily take advantage of by increasing their potato crop; and I think they will, although last December the representatives for the maritime provinces at a conference which we called here, every one of them came out and said they were not going to increase their acreage in 1943, and one of the three provinces indicated there would be a decrease in production by 10 per

cent. However, since, I understand that that has not been done and there has been an increase; and they have increased without a floor and without any assistance and without any guidance except their own thinking, they know that potatoes are good property.

Mr. RICKARD: If they got the prices up?

The WITNESS: Yes.

Mr. LEGER: In our part of the country farmers were producing potatoes for as little as 30 cents a bushel.

The WITNESS: Well, they will not be next season.

By Mr. Leger:

Q. We have been given no consideration at all. I think the situation could have been controlled because I think if we had a surplus of potatoes—I do not expect we will have a surplus of potatoes during the war—but at one time we did have a surplus of potatoes. And don't forget this, that potatoes are not like wheat; wheat can be held for many years, the potato only lasts for nine months. Well now, at the present time we have a dehydration plant, and I think the government might very well take that into consideration in developing a program.—A. Yes. That is a problem that is worthy of consideration and one that we have approached a number of times; and I say to you frankly that we have been unable as a board to arrive at a decision whereby we could make a definite recommendation at this time.

Mr. LEGER: I think it is well worthwhile considering.

Mr. McNEVIN (*Victoria, Ontario*): In connection with the shortage of potatoes I think it will probably be recalled that in a very large proportion of Ontario last year there was very heavy damage to the potato crop by rot.

Mr. LEGER: And by frost in our part of the country.

The CHAIRMAN: Gentlemen, it is nearly one o'clock; can we take it that the committee has a sufficient outline of the activities of both the supplies board and the special products board?

The WITNESS: With the exception of the special products board, Mr. Chairman.

The CHAIRMAN: Could you give us that now, an outline of the special products board; then we will have the individuals who are administering the different branches of the board to give the details.

Mr. SENN: Mr. Chairman, will Dean Shaw be back again?

The WITNESS: You mean, this week?

The CHAIRMAN: Yes.

The WITNESS: Yes, I will be here this week.

The CHAIRMAN: Perhaps you will go on and give us the outline of the special products board.

The WITNESS: That will only take a minute. The special products board—it is not surprising that perhaps there should be a little confusion about this special products board. The reason for establishing it was this, that there had been at an early date established a bacon board to take care of the first contract that was made in 1939 with Britain for a certain quantity of bacon. There had to be some group set aside to administer the thing and see that the contract was fulfilled; so the bacon board was set up with that specific job to do. Then later a cheese contract was entered into, and it was anticipated that condensed milk, butter and other things might come into the picture; so the dairy products board was set up. Then, these two things seemed to be the most important on a large scale, there wasn't anything else which lumped anything like as large at that time; but there were a number of things Britain was inquiring about,

such as canned tomatoes for instance and certain kinds of soups, and a little later on eggs, and earlier on in the war honey entered into the picture, and dehydrated apples or dried apples, fresh at one season of the war; then there was this fibre flax which had a part in this thing; so it was decided by departmental officials to set up a special products board to take care of these things pertaining to agriculture outside of meat and cheese. There are three members of the board: Mr. Hamer, of the Livestock Branch of the Department of Agriculture; Mr. Major of the Department of Trade and Commerce, and myself. We have entered into contracts with regard to these products with Britain and the United States—the flax product, eggs—those in the shell; and later, dried—and now dehydrated vegetables, together with a lot of small items that do not figure very large. This board is not a spending board as in the case of the supplies board which is able to spend some money to get a product going or to get it started; but this board can only use the money that is placed to its credit by the buyer of the product, so that it must operate within itself in that way. We do not buy the product, we make an agreement of so much a pound if you like; the best agreement that we can arrive at after long negotiations, sometimes, and very careful study. After that stage is completed the board has to get the goods and fill the contract. That briefly is the work of the special products board. It differs somewhat from the supplies board in that it is not supposed to consider anything outside of the actual negotiating, and then filling the contract for the products pertaining to agriculture.

The CHAIRMAN: You may take on new products if they are necessary at any time?

The WITNESS: Oh, yes, any new products that there are any inquiries about will be taken on. For example, at first they were interested in just four vegetables: cabbage, carrots, potatoes and turnips; then they increased their interests to including parsnips and spinach and onions and things of that sort; and other things may attract their interest as time goes on and they would ask the department to arrange for any other product in which they might be interested.

The CHAIRMAN: Gentlemen, the committee stands adjourned until to-morrow at 11 o'clock.

The Committee adjourned at one o'clock to meet again to-morrow, June 18, 1943, at 11 o'clock a.m.

CA1
XC12
-A48

(SESSION 1943)
HOUSE OF COMMONS

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

FRIDAY, JUNE 18, 1943

WITNESSES

Mr. F. W. Presant, Feeds Administrator, Agricultural Supplies Board.

Mr. Nelson Young, Seeds Administrator and Flax Fibre Administrator,
Agricultural Supplies Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943

JUL 3 1943

MINUTES OF PROCEEDINGS

FRIDAY, June 18, 1943.

The Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., the Chairman, Mr. Weir, presiding.

Members present: Messrs. Cardiff, Cloutier, Cruickshank, Dechêne, Douglas (*Queens*), Evans, Fontaine, Gardiner, Golding, Gregory, Hatfield, Henderson, Kirk, Lafontaine, Leader, Leger, MacDiarmid, McCuaig, MacKenzie (*Lambton-Kent*), McNevin (*Victoria, Ont.*), Matthews, Perley, Rhéaume, Rickard, Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Weir, Whitman.—29.

In attendance: Mr. F. W. Presant, Feeds Administrator, Agricultural Supplies Board, Mr. Nelson Young, Seeds and Flax Fibre Administrator, Agricultural Supplies Board, and Mr. K. B. Conger, Manager, Fruits and Vegetables Section of the Special Products Board.

The minutes of the last meeting were read and, on motion of Mr. McNevin, approved.

Mr. Presant was called. The Committee heard a general statement from Mr. Presant dealing specially with freight assistance policy.

After examination, witness retired.

Mr. Young was called. He gave a general outline of the seed situation in Canada and concluded with a brief statement on the production of fibre flax.

At 1.00 o'clock witness retired and, on motion of Mr. Golding, the Committee adjourned until Tuesday, June 22, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 18, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: We have with us this morning, Mr. F. W. Presant, the Feeds Administrator in the agricultural supplies board of the Wartime Prices and Trade Board. Will the committee be prepared to hear a general statement from him and then continue on with any discussion?

Some HON. MEMBERS: Agreed.

The CHAIRMAN: I have much pleasure in presenting to you Mr. Presant who will proceed with the presentation.

Mr. F. W. PRESANT, called.

The WITNESS: Mr. Chairman and gentlemen I believe yesterday Mr. Shaw mentioned that in so far as the administrations that were set up came within the agricultural group, that those administrations are joint administrations of the Wartime Prices and Trade Board and the Department of Agriculture; in my case, feeds administration, I am jointly responsible in so far as agriculture is concerned to the agricultural supplies board, and at the same time have the responsibility of the Wartime Prices and Trade Board that is invested in this administration with respect to matters concerning prices. The two are very closely associated and it is very difficult to differentiate between them, and as far as a direct workable set-up is concerned it seems to be a most desirable arrangement. You can well imagine that supplies and prices are pretty hard to differentiate between; and so in our administrative work we try to keep in mind and to deal with these problems from both angles and to dovetail the requirements of both into something that is as workable and practicable in the way of administration as we can. The first responsibility that came to me when I came to Ottawa on the 1st of October, 1941, was to try and work out the development of the freight assistance policy which had been in effect for a few days. The first policy became effective about the 27th of September and from thereon we undertook its development so it could be made workable; and it has been operating since that time—just recently the Hon. Mr. Gardiner I believe made a statement to the effect that it was to continue indefinitely.

I have figures here which may be interest to you relative to the freight assistance policy which provides for the movement of grain from the prairie provinces into British Columbia and from the prairie provinces down here into eastern Canada. From the inception of the policy in October of 1941 up to the end of May 1943 there has been a total tonnage as represented by grants made from freight assistance of 2,859,955 tons; and the government has paid out against this end and for that tonnage \$15,278,831.47. I have it broken down by provinces if you would like to hear that.

Some HON. MEMBERS: Yes.

The WITNESS: Breaking it up into provinces, the movement of tonnage to Ontario was 1,177,245 and the amount of money was \$5,097,602. For Quebec the tonnage was 1,108,567 and the amount of money, \$5,779,585.94; for New Brunswick the tonnage was 139,681 and the amount, \$1,047,607.50; Nova Scotia 172,741 tons and the amount \$1,397,015.10; P.E.I. 43,807 tons and the amount of money \$359,217.40; British Columbia the tonnage was 217,914 and the amount

of money \$1,397,803. Now you will notice as far as the relationship between tonnage and the money goes that the further east we go the more they represent because the freight from Fort William and Port Arthur where the grain originates increases as the haul is further east.

By Mr. Evans:

Q. Was it paid to the individual, or was it paid to the distributor?—A. It was paid to the station where the car of grain was delivered, to the point of final destination.

The CHAIRMAN: Where is your basis for paying freight from the prairies to British Columbia?

The WITNESS: Calgary and Edmonton. We had to work on the existing railroad rate structure down in eastern Canada that break comes at Fort William and Port Arthur, and in the west the most practical points are Edmonton and Calgary as a base.

By Mr. Leger:

Q. I presume these grants are for feed grains only?—A. For feed grain and mill feeds, mill feeds made from western wheat.

Q. The flour is not included?—A. Flour is not included, but it does apply to mixed feeds, commercially mixed feeds, to the extent that they may have these grains in them.

Q. These cars I suppose might include wheat in them?—A. Oh yes, all the commercial grades of wheat.

Q. On No. 1 wheat also?—A. If it is used for feeding.

By Mr. Cruickshank:

Q. How about the case of the farmer who has a farm in Saskatchewan and also has a farm in British Columbia and takes his own grain out and feeds it at his own farm; can he get the assistance?—A. Yes, providing he is a legitimate feeder, who takes that grain from this area from which it can be moved into areas in which freight assistance is paid; anybody can get it as long as they prove that it is being used as feed.

Q. Can he get it, say a farmer in Saskatchewan wants to take a carload lot out to British Columbia and sell it among his neighbours, can he do that?—A. Yes.

Q. Providing it is sold for feed?—A. Yes, but there is a little restriction there; under the Wartime Prices and Trade Board regulation he would have to have a license as a dealer in order to do that. He can buy them himself for his own use and he can trade his own crop that he grows on his own farm amongst the farmers, but if he wants to sell it to anybody else he will have to have a license in order to do that.

Q. We have had a number of cases in British Columbia where farmers on the prairies wanted to take their wheat out and sell it there in five or ten-ton lots, and they were told by the officials that they could not get the assistance unless they had a car lot.—A. Oh yes, they can get the assistance. We have application forms that are made out especially for the individual farmer to put his own claim in on. They differ from those used by the trade.

Q. Can it be done?—A. Oh yes.

Mr. EVANS: Mr. Cruickshank is perhaps overlooking the restrictions of the quota.

The WITNESS: That is a matter of policy of the Canadian Wheat Board.

By Mr. Senn:

Q. Mention was made of five and ten-ton lots; I do not suppose the grain shippers at Fort William or Port Arthur would be interested in anything less

than a carload lot.—A. Oh, I think I misunderstood the point Mr. Cruickshank was trying to make; they could split it up.

Mr. CRUICKSHANK: At arrival in British Columbia?

The WITNESS: That is done.

By Mr. Senn:

Q. What about the farmer who wants to buy a five or ten-ton lot and nobody else wants to buy any in his immediate vicinity; can he do that?—A. Not unless he can find someone who will go with him to take the balance of the car. We have to confine it to carload movements. But he could get it in another way, he could bring down a mixed car, bring something else down in that car like mill feed or middlings and when he would still be able to get the assistance. We are interested here only in carload movements.

Q. And the milling companies have to get a permit to get a carload rate, even though they were making up the balance of the car?—A. Yes; and I might say that the movement of that grain is followed through right from Fort William, no matter what channels it goes through; and we have a system set up whereby anybody who may bring that down. The original man who brings that down into the east, he sets up what we term a primary credit with the Treasury Board administrators, and then he can dispose of that grain; he may sell it himself direct out to the feeders or he may dispose of it to one, two or more parties, but each time there is a document that follows on through until it gets to the ultimate feeder; and we do not care a great deal what happens beyond that point as long as the records are clear—we can follow its course

By Mr. Rickard:

Q. Can anyone bring down a carload of feed grain; that is, can the farmer here buy from a farmer out there direct without going through the established trading channels other than that?—A. You are getting into something that is out of my province there because you begin to get into the matter of wheat board policy with respect to deliveries under quotas. As far as we are concerned the freight assistance payment is made when it conforms to the requirements of the order. We do not care how it is obtained out there or where, we will pay the freight assistance on it if it is going to a legitimate feeder.

Q. That is, from Fort William?—A. We will pay the freight assistance from Fort William on that portion of the freight, but we do not in any way go back beyond that point.

Mr. CRUICKSHANK: Of course, that is the point. As far as you are concerned you are just operating the plan within such limitations.

The WITNESS: I think the matter of the quota comes in there. I know we have had a number of inquiries about it and they have all been referred to the wheat board.

The CHAIRMAN: And you naturally get inquiries from people who did not get all their grain marketed, and of course they cannot market over and above their quota.

The WITNESS: That is right.

By Mr. Rickard:

Q. What would the wheat board have to do with it supposing you were dealing from here?—A. They have to administer these quotas I believe, as your chairman understands.

Q. The farmer in the west has a great deal more grain than he can deliver and the farmer here in the east wants to buy a carload of that grain; I cannot see why the wheat board should have anything to do with a contraction of that kind.

The CHAIRMAN: Gentlemen, may I remind you that our proceedings are being taken down by the reporter and it would be appreciated if you would speak a little louder please, and also, one member at a time.

Mr. RICKARD: I was talking about a carload of grain, not wheat.

The CHAIRMAN: Coarse grains are also under a quota for deliveries.

Mr. CARDIFF: The fact is that the farmer cannot buy a carload of grain unless he buys through a commission firm.

Mr. CRUICKSHANK: That is right as far as British Columbia is concerned.

By Mr. Ross (Middlesex East):

Q. I am afraid I missed the Ontario assistance figure when you were giving it; would you mind repeating it?—A. The amount was \$5,297,602.50.

Mr. Ross (*Middlesex East*): Thank you.

By Mr. Senn:

Q. I would like to ask Mr. Presant one question; I understand there is a ceiling price on barley and oats, is that right?—A. Yes sir.

Q. Where is that ceiling price set, at Fort William or what point?—A. It is on an in store basis, Fort William or Port Arthur.

Q. Then you buy from the board if there is a carload demanded?—A. Yes.

Q. And there are certain other incidental expenses such as commission paid, loading and so on, and they all enter into it; could you give us any information as to what that amounts to on a bushel of oats or barley to the feeder down here, you must have some figure to show the freight spread between the selling price at Fort William and the price down here, the actual cost to the feeder, I think that is important.—A. I anticipated that that question might be asked, Mr. Senn, and I worked it out roughly here: the ceiling price that was established for oats was 51½ cents a bushel in-store at Fort-William and for barley it was 64¾ cents per bushel. Now, in-store means before the grain is loaded out on to the track.

Mr. CRUICKSHANK: That would be the same with respect to the western points, Calgary and Edmonton?

The WITNESS: It is relative to that, there is a difference of the freight.

Mr. McNEVIN (*Victoria-Ontario*): That would be on grades 2 and 3?

The WITNESS: That would be on 2CW or any lower grades.

Mr. McNEVIN: Would it go up if the demand warranted it?

The WITNESS: It was based initially on the 2CW grains because there was a variation in the spread at that time. The basic period prices control.

Mr. HATFIELD: What is the base on wheat?

The WITNESS: There is no ceiling now on wheat.

The CHAIRMAN: The market price would govern wheat.

Mr. MacKENZIE (*Lambton-Kent*): It seems that in some parts of the eastern provinces where they have been buying barley that the price of barley has gone up \$2 in the past two weeks; could you give us any information about that rise?

The WITNESS: May I answer Mr. Senn's question?

The CHAIRMAN: Mr. Senn asked a question which was of general interest and I think we should deal with that first.

The WITNESS: With the ceiling price in mind I would calculate the laid-down cost of a carload lot in bulk to Ontario points: for oats 55½ to 56 cents a bushel—and that is with the freight assistance.

Mr. McNIVEN: I think you said the freight is all figured on a carload basis.

The WITNESS: Yes, I will explain that.

The CHAIRMAN: You are talking about the price of oats in car at Ontario at the point of unloading.

The WITNESS: Yes, every purchase by a local dealer or farmer at a local point.

Mr. SENN: The cost delivered, adding the loading cost and all other charges.

The WITNESS: Yes and there is the commission man in between who has done the business; there are two of them involved, there is the agent at Fort William and there is the grain merchant down here who makes the contract with the seller at Fort William. Then in all it would work out to about $69\frac{1}{4}$ or $69\frac{1}{2}$ cents a bushel.

Mr. HATFIELD: Is that the Fort William price to the producer?

The WITNESS: No that is the delivered price at an Ontario point.

Mr. CRUICKSHANK: Then again I would like to ask you in connection with the farmer who wants to buy a carload direct from a farmer in Saskatchewan, can he take advantage of this freight assistance?

The WITNESS: There is nothing to stop that as far as we are concerned.

Mr. GOLDING: Mr. Cardiff raised a point there I think we might follow up.

Mr. EVANS: When Mr. McIvor was here before us that question was distinctly asked and he said a permit would be issued in any case where the farmer was still within the quota available to him.

The CHAIRMAN: Mr. Cardiff will you follow up your question please.

Mr. CARDIFF: I made the statement that you could not buy a carload of grain unless you bought it through a commission merchant.

The CHAIRMAN: It does not follow that you will be buying to any better advantage.

Mr. GOLDING: As to the point raised by Mr. Cardiff, I have heard that a good many times.

Mr. CRUICKSHANK: So have I, and I still think it is right.

Mr. McNEVIN: No, it is not right.

Mr. CARDIFF: I raised the question because I personally tried to buy a carlot direct and I found that I could not do it; and I know a number of others who would like to do the same thing and could not do it.

Mr. SENN: Might I ask this question then; suppose there were three or four farmers who went together to make up a carload and wanted to buy direct, would they be able to get it?

Mr. GOLDING: Yes, Wes Jefferson who lives not far from our town, bought a carload that way.

Mr. HATFIELD: I would like to know this, there are so many boards, who has the final say, is it the Wartime Prices and Trade Board, the Department of Agriculture or the Department of Trade and Commerce; who has the final say in the matters? I know the wheat board have their regulations, and then there is the Wartime Prices and Trade Board and your department: who has the final say?

The CHAIRMAN: I do not think there are differences in the regulations, Mr. Hatfield, and I do not think there has been any attempt at evasion. The point that has been raised here has to do with the general storage situation in western Canada whereby the quota system of delivery was instituted so that the farmer could have an equal opportunity to delivery both his wheat and coarse grains. And now, so long as the farmer is within the delivery quota he can secure a permit; or at least I will put it this way, he can sell to an eastern individual who may want to buy and the buyer can secure the freight assistance on the feed grain.

Mr. HATFIELD: Yes, I know that is the way it should be, but it is not so. It is not that way.

Mr. LEGER: Sure it is not.

Mr. HATFIELD: That is why I wanted to know who has the final say in this matter. Personally I think it is the Food Administrator who should have the final say.

The WITNESS: Well, we do, so far as paying freight assistance is concerned, and we have paid the freight assistance.

Mr. HATFIELD: I know I tried to buy a carload of barley direct from a farmer in the west and found out that he could not sell it to me.

The CHAIRMAN: I presume that the man you were trying to buy it from had already delivered his full allotment of grain and so was no longer in a position to make a shipment to you.

Mr. HATFIELD: I understand that.

By Mr. MacKenzie (Lambton-Kent):

Q. I would like to clear up that point I raised, that the price of barley has gone up during the last two or three weeks; barley has advanced \$2 a ton—how could that be possible?—A. It could be possible—I haven't got the market quotations before me—but it goes back to the base period when the ceiling price of barley was fixed. It has been down since then and it has now come back up to its ceiling and it is not expected to go any higher. Some of the lower grades of barley were down also and are coming up in line with the ceiling price which was fixed during the basic date period.

Q. I assumed that it had been up to the ceiling all along?—A. No, it has not.

Q. It fell?—A. Well, there had been a spread in some of the lower grades. It is the matter of the ceiling price fixed during the basic period on barley. These lower grades were selling below the ceiling and now they are coming up to it, but after the ceiling is reached it will not go higher.

Q. Could you give us the ceiling price on the different grades?—A. I could not give that to you off hand, I haven't got it with me. There was only one price placed on the grain and it was based at the time it was established on number 2CW oats and number 2CW barley, and these other grades have at times come up to, or very closely to that ceiling.

Mr. EVANS: But the great bulk of barley is of the lower grades.

The WITNESS: Yes. With the ceiling price on where it is now you are getting better grades of barley—just as good, if not better—when you can buy them, at the same price.

Mr. McNEVIN: I had a question there regarding the commission involved in the handling of a carload through from the elevator.

The WITNESS: That is handled under the general policy of the Wartime Prices and Trade Board which fixes the service charges, commission, brokerage and so on on the basis of the date back in the basic date period. If a commission firm were charging a quarter of a cent a bushel or a half a cent a bushel as his commission rate on certain types of sale and that was his maximum charge during the period he cannot exceed that. Then we have had occasion to make investigations and we found that in the main the thing has been carried out and adhered to very well—in almost every case they are able to refer back to the charges they made in the basic period; we check them on that and confirmed that that was their rate of charge during the basic date period. They are on a definite basis under control and while it may vary with the odd individual firm the general charge is somewhere around one-eighth to one-quarter of a cent a bushel.

By Mr. Senn:

Q. Was the price ceiling on these coarse grains fixed while you were the Feeds Administrator?—A. No, I was not there then.

Q. I thought I understood you to say that you were in charge of that, that you had direct contact between your board and the Wartime Prices and Trade Board and that that matter would come under you for consideration.—A. Well, I am afraid that I was not down here at that time.

Q. Was it anybody in your department?—A. I think I would have to refer that to the Hon. Mr. Gardiner, he would know about that.

Hon. Mr. GARDINER: Mr. Presant was brought here by the Department of Agriculture in the first instance to take charge of the movement of feed grain from the west to the east. I am not just sure of the date—I am informed that it was October 1st, 1941—that was at the time that we brought that policy into operation.

Mr. SENN: If you are not able to answer that I will not press the question. I had thought that there was consultation between your board and the Wartime Prices and Trade Board as to the price of feeds.

The WITNESS: There is, Mr. Senn; there is very close co-operation now; but that was in the early stages when this whole price ceiling business was set up; and that was all prior to the time that I took over my responsibilities, and it was also prior to the time when this particular form of freight assistance was announced.

Hon. Mr. GARDINER: If I might just add some remarks further with regard to that; there was nobody consulted, it was the prices that happened to be in effect as of that date—the highest prices between the dates of September 15th and October 11th. The highest price during that period was taken and nobody was consulted about it.

Mr. SENN: It seems rather a surprise to me that no consideration was given to it other than that. Then of course to that basic price had to be added all the different charges that have been referred to, the commissions, the loading charges and so on; and that all had to do with the present price of oats and barley and coarse grains. I think that is an important question I would like to find out from somebody if any consideration was given to that by this board.

The WITNESS: I think I will have to refer you to Mr. Gardiner on that. I believe it has been established on the basis of the ceiling price on barley that the hog-barley ratio runs approximately 22 per cent—that is considered fairly favourable by livestock men.

Hon. Mr. GARDINER: A pound of pork will buy 6·7 pounds on the basis of the long time average. At the present time it pays for 7·2 pounds.

Mr. SENN: Well, I will not follow that up any further at the present time.

By Mr. Hatfield:

Q. Before the war the farmer in eastern Canada could go to his dealer and buy oil-cake meal, fish-cake meal, or ground gluten and use his own grain to mix his own feed. I understand today that he has to buy the complete mixture mixed by the grain mills or the feed mills before he can get these protein supplements. Is there any way that the farmer can buy his own supplies, say he wants 300 pounds or 200 pounds of oil-cake meal or fish-cake meal or supplement to make up his protein feeds and use his own grain; can he buy these concentrates from his dealer?—A. I think I can best answer that by referring to another stage of the feed picture, mill feed, bran, shorts and middlings; to-day these have been used to a far greater extent in Canada for

domestic consumption than they have ever been used in eastern Canada before. The mills are running at full capacity and from my calculations of the last four or five months 95 per cent of the mill feed production is being sold in Canada. And yet you can go into almost any dealer's store and he will be short of millfeed. Now, it is not because he has not got more millfeed than before, but he has more demand and that stuff just evaporates. That is part of the answer to this oil-cake and protein supplement question.

By Mr. Hatfield:

Q. Farmers cannot buy oil-cake at all from his dealer, he must buy a complete mixture from the feed mills.—A. Well, from the information I gather—

Q. Through his dealer. Suppose he had 17 tons of barley and oats and wheat, why should he have to sell that barley, oats and wheat and buy a complete mixture when he could buy the oil-cake meal and mix it himself at much less cost? Why should he have to sell it and buy the mixture? Why could not the supply of oil-cake meal that is available be made available to the feed dealers in the different sections, instead of making it all available to the big feed mills that charge an extra price?—A. No, it is not all made available to the big feed mills.

Q. I understand it is is.—A. No. The oil-cake in this country, up to the present, has not varied greatly, there has not been any appreciable increase from pre-war days so that relatively you have the same amount of oil-cake meal being turned out as was being turned out when there was half the demand—when everything was free and open. Now the oil-cake meal manufacturers are allocating their supplies, following the policy of the Wartime Prices and Trade Board. They do it on the basis of the channels that were used in 1941; that is, if a dealer in the country had bought a car of oil-cake in 1941 and the feed manufacturer had bought ten cars in 1941, each of them gets the same proportion, but the demand for it has so increased that the amount has shrunk to only a small proportion of what they need to take care of their requirements. We just have not got the oil-cake meal or any other of those products to distribute around to them, but the proportion available has to be used before we get into the increased production of live stock, and consequently the demand for those feeds has increased, I know.

Q. The country dealers tell me, the dealers that bought a carload of oil-cake meal in 1941, that they cannot get any today.—A. Well, there is a lot of that going to them. I can quite understand—

Q. Would that be handled by your department?—A. Yes, we undertake to try to.

Q. You issue permits?—A. No, we lay down the policy that the board has laid down and provide that to the companies and say to them, "Now, you have to follow that out."

By Mr. Evans:

Q. I think we have been feeding a lot of oil-cake meal for years, we have not had very much difficulty in getting our supplies in the last two years, we have had to take it in smaller quantities at different times.

By Mr. Rickard:

Q. I think, generally speaking, in the east it has been a hard job to get oil-cake meal and concentrates, but where dealers have it you can buy it—A. That is right.

By Mr. Leger:

Q. I presume the demand is so great for proteine that it creates a shortage; therefore, would it not be wise for the department to suggest that maybe a

fish-meal factory should be established in the maritimes where there are all kinds of fish going to waste. This stuff that is going to waste makes a wonderful protein food. Would that be under your jurisdiction?—A. Well, the production of primary products from fishing comes under the Department of Fisheries. We have been interested in it and took quite an active part in developing the essentiality of it and to that end have had conferences with the Fishery Department officials. They are fully aware of the need and essentiality of that product. I believe there is something being done at the present time just along the lines you are suggesting.

Q. I have taken the matter up with the Department of Fisheries for some time, for instance, with regard to herring, dogfish and the debris of codfish. There is a great possibility for that around the Northumberland strait. This year, even though herring were packed in large quantities, there was still a large quantity of herring that was not packed and which could have been available for protein. During the lobster season the fishermen catch a lot of dogfish, which are absolutely useless. There is too much oil in them to spread them on the farms, therefore they are just thrown overboard. They kill the dogfish and throw them overboard. Again, the cod industry has expanded a great deal all along the shore since the war and a lot of the heads and guts could be used for this purpose. I thought this came under your department and the Department of Fisheries. I wish you would consider this very seriously, as every one of us here, I believe, realize the demand for protein is very great and steps should be taken in order to increase the quantity.—A. I should like to answer that. I should like to confirm this matter is receiving some consideration.

By Mr. Hatfield:

Q. In the sardine weirs they catch a lot of fish that are of no use. They throw away tons and tons.

The CHAIRMAN: You had a question, Mr. McNevin.

By Mr. McNevin:

Q. Before we leave the question of the oil meal, may I say I think what Mr. Rickard says, as far as Ontario particularly is concerned, is true; it is difficult to get the oil-cake meal, but I believe the explanation is this: where there was probably one farmer interested in feeding feeds of a high protein content before the war there are now maybe three or four. Then, there is a very great increase in the demand for balanced rations and the feed dealers and feed manufacturers who have been bringing in this oil-cake, I think, are getting perhaps more oil-cake meal than previously, but in place of putting it on the market just as oil-cake meal they are mixing it extensively in the dairy, hog and poultry rations, and that accounts for the lessened quantity of pure oil-cakes meal being available on the market.—A. It might to some extent, but there is a question there whether it is not advisable when you have things in short supply like that—it means a more equitable distribution—to use it in a more efficient way, perhaps, because it can be spread out and blended with other foods and more farmers can get a little, whereas otherwise there might be a few get a lot and some get none.

By Mr. Cruickshank:

Q. Has your department anything to do with the increase in the price of feed grain, or should I ask some other official?—A. Increase in the price of feed grain?

Q. Yes, to the farmer; if that is not in your branch I shall ask some other official.

The CHAIRMAN: This is the Feed Administrator.

The WITNESS: There is no--

By Mr. Cruickshank:

Q. My information is that the price of feed wheat went up in one year 22½ cents per bushel and that 8 cents were paid to bring it down to 14½ cents per bushel for No. 3 and No. 4 northern, basis Fort William. If that is within your department how can you account for that?—A. I made the remark when we were talking about the ceiling price that wheat was not under the ceiling price; that is the one grain that there never was a ceiling price named for, and it is based on the market.

Mr. PERLEY: And never will be.

By the Chairman:

Q. Have you any other general information to give, Mr. Presant?—A. Yes, I was going to deal with another subject.

By Mr. Cruickshank:

Q. I am getting a lot of advice from a lot of people here. I understand that I was sat on here yesterday for asking the wrong official something, so I do not want to ask the wrong official questions to-day. As I understand it, the feed—the feed I am particularly concerned with is poultry feed. You say there is no ceiling on that; if there is not I want to know the ceiling permits an increase in the price. My information is the prairie farmer is not getting it. I want to know where that 22 cents went in one year. In our province a branch of the Bank of Canada, Buckerfield, was concerned. Did they get 22 cents or the farmer?—A. I would say the farmer got it; it is the open market price. He can sell the wheat any time he wants to; he gets advantage of the market.

Q. Why is it that immediately the government paid the subsidy on feed grain up went the price to the dealers that very week?

The CHAIRMAN: The open market price went up on feed grain. Feed grain has been one part of the wheat supply in western Canada that has moved out readily this year.

Mr. CRUICKSHANK: I am trying to find the excuse for the wheat board or the big company putting up the price. The very day the government paid a subsidy the feed companies in British Columbia put the price of feeds up to the farmer. I cannot see where that is consistent at all; it is not open market at all.

The WITNESS: Is that supported by the evidence?

By Mr. Cruickshank:

Q. It can easily be checked with the actual figures from British Columbia.—A. It is not in line with the evidence we had sent down to us.

Q. That is just the point and I do not think it was the intention of the government.—A. They are reflecting that freight assistance; it is permitted in their prices.

Q. That was not the intention at all, but it is an actual fact in the province of British Columbia. I am positive that was not the intention.—A. There is another subsidy payment that is administered in this administration that I was going to bring up, and that is the feed wheat payment. This became effective on August 1, 1942, when the advance was made in the paying price for western wheat, where the old basis expired at the end of July and the new came into effect in August, and at that time an arrangement was made—it was actually completed in September but was made retroactive to August 1, to pay on all wheat that was used for feed an amount of 8 cents a bushel to bring the relative price back to where it was in July and in line with the policy. We have put out up to the end of May, in eastern Canada, \$892,303; on the prairie provinces, \$21,913; British Columbia, \$112,649, a total altogether of \$1,026,865. That is still being dealt with. All feed wheat is being assisted to the extent of 8 cents

a bushel. There is an even more recent subsidy which has been put into effect this past winter with a view to encouraging the greater production of alfalfa meal to help out in order to meet the shortage position of some of these essential ingredients. We have the alfalfa in Canada as a raw product but were not getting the production of meal, and in fact the processors were backing away from it, they were going out of the business, so it was decided that the only way to get that production increased was to provide a more attractive return; up to date, that is up to June 16th., there has been paid out \$9,164.48 on that account on the basis of \$3 per ton, and that is applicable to all the provinces throughout the whole dominion.

By Mr. MacKenzie (Lambton-Kent):

Q. That goes to the processor?—A. That goes to the processor, but there is no control over the price of hay. Hay and straw were removed from under the price ceiling in the early winter of 1942 when it became evident that it was impossible to do anything in the way of controlling them, and in view of the circumstances that existed in eastern Canada where there was only a 50 per cent hay crop that year when it was necessary to bring out every ton of loose hay that could be got out, and that put hay and straw in a selling position with respect to price which related directly to supply and demand. There will be no control over that part of it. There is control of the part that goes into alfalfa meal—that part of it is fairly protected with respect to all the other factors. This bonus, of course, enables the buyer or processor to make his stuff and not charge an increase in his price.

By Mr. Perley:

Q. Before you leave this feed grain, you made a statement with respect to tonnage and dollars that had been distributed; I was wondering if you would give us a statement now as to the number of applications for this assistance you have had say since the first of August last year in Ontario and Quebec. If the Minister of Agriculture made the statement that this policy would be continued on indefinitely and I know it would be of interest to the committee to have the number of applications say since the 1st of August as applied to the largest groups, say Ontario and Quebec—and possibly also the Maritimes.—A. I could not give you that offhand. That would mean a considerable amount of work through the Treasury Office who keep these records. I know that it will probably run into a good many hundreds.

Q. You gave us the tonnage and the amounts and I think we should have the number of applications.—A. I haven't any figures at all on the number of farms. I have a number of other breakdowns of the various sections by month and so on, but we have not been interested in the number of applications and I have not got that with me.

Q. But there were a great many individual applications?—A. Oh yes.

Mr. PERLEY: What I was going to suggest was this, suppose we take Ontario where we have dealers in a locality, feed dealers; would it not be a better policy to have allowed the dealers to make all the arrangements about getting grain from the west in carload lots and then distributed in the locality and have the local farmer make application through him. It would afford a more general and proper distribution, it would save a lot of extra money that you have here with a farmer going to a broker and so on. Then the quota element would be eliminated altogether.

Mr. McNEVIN: Just in that connection I think you must remember that in the province of Ontario there are quite a substantial number of farmers' clubs who bring this up in to a siding and unload it direct to the farm. I am quite sure that these organizations would not wish to be put into the place where they had to go to the dealer to get their grain. I may be mistaken, but I look

at it in this light; I do not think the western farmer is going to sell his grain direct to the farmer in Ontario—

Mr. CRUICKSHANK: Why not?

Mr. McNEVINS: Just in that connection I think you must remember that in these ordinary regulated channels. Now, the commission for handling this grain from Fort William, and all these set charges, come into the cost of distribution and I do not see where it makes any very great difference. I know that I have bought several carloads of grain, and I have bought it both ways, and I can see very little difference in the actual cost of that grain when you take into consideration the cost of loading and the various charges that are entailed. I do not know that there is any way in which you could materially reduce the present cost of a carload lot to the Ontario feeder.

Mr. ROSS (*Middlesex*): Which did you find the most expensive?

Mr. McNEVIN: I said, I found very little difference.

Mr. HATFIELD: Mr. Leger has brought up a very important subject there and I would like to have the Minister of Agriculture and the Minister of Fisheries get together on it; that is the immense waste of fish that is going on in the maritime provinces.

Hon. Mr. GARDINER: If I might make a suggestion, listening to this discussion I think you are getting nowhere. As a matter of fact, one man's theory is that we ought to do what we are already doing, and then we have a more or less general discussion about waste fish. I think it would be better if we were to get the matter cleared up that was raised by Mr. Perley and get it on the record right, because Mr. Presant is the only one who can do that for you.

Mr. PERLEY: I was only anxious to find out how many men got assistance. I am not pressing it at all.

Hon. Mr. GARDINER: I quite realize that. I was not critical of your question at all; but I think we have up to now had two or three explanations on it, and I think Mr. Presant is the man to answer the questions because he knows the answers; and I think you will find what you are suggesting ought to be done is what is being done—if you get that cleared away possibly and go on to something else I think it would be better.

The WITNESS: That is correct, Mr. Gardiner; the way this freight assistance is handled it has been through the broker acting on behalf of the farmer, where the farmer wishes to buy that way. The farmer himself on the other hand if he wishes to can go direct and buy that stuff from the grain merchant who has it on sale in western Canada, or from whoever he wishes to get it through. So far as the board is concerned they can buy it whichever way the farmer finds it most economical and profitable. We do not make any restrictions. We assume this that the trade between the people who are doing the business has pretty well established the most economical way of meeting certain local conditions; and if they can improve on them it does not affect a man getting this freight assistance. It has been made as workable and as free from cluttering forms and regulations as possible.

Mr. PERLEY: I notice on page 136 of this report (Department of Agriculture) a breakdown of eastern Canada freight assistance which indicates the number of trains, so many thousand; and British Columbia—it gives the same details for that. Now, could you get us that?

The WITNESS: We could get it for you if you want to have it from August forward.

Mr. PERLEY: Yes.

The WITNESS: I was not aware that that had been published in that report.

Mr. LEGER: I believe that special assistance should be commented upon because it suggests that anybody who wants to buy feed grain by carlot is free to do so. I know in my district we have co-operative buying and groups of farmers get together and buy by the carlot and they should have that privilege. Otherwise, as I understand Mr. Perley, he would leave it all with the dealers and I think that statement is something which should be commented upon.

The CHAIRMAN: Are there any further questions with respect to freight assistance and feed grain?

By the Chairman:

Q. May I ask this question: what amounts are added to the selling price at Fort William?—A. There is the loading on to the cars charged at the elevators. And there is a small charge made by the Lake Shippers' Association; and there is the seller's commission. Now, as far as I know that is all the charges.

Q. But you do not know what these individual items are?—A. No, but offhand I use the figure myself of about $2\frac{1}{2}$ cents, which is a nominal figure but it is a pretty good average and what the various grain merchants use in setting their—

Q. That is really the only additional cost added to the grain over the selling price for delivery?—A. No, you have to buy it down here.

Q. I mean, if it were shipped say to a co-operative direct.—A. Yes. If he buys direct from one of the Winnipeg buyers like Richardson, or Searls, or somebody else.

Mr. HATFIELD: That makes a delivered cost of 54 cents.

Mr. RICKARD: But if a farmer buys from a grower out there he saves $2\frac{1}{2}$ cents.

The CHAIRMAN: No, it still has to be loaded, insured, handled and everything.

Have you any further statements on policy that you can give us on feeds administration.

The WITNESS: No, I have not, unless there are some further questions to be answered.

The CHAIRMAN: Is that the general picture you would like to give to us this morning?

The WITNESS: Yes, unless there are some questions.

Mr. CRUICKSHANK: On bran and shorts—again I want to be sure that I am asking the right department—is there a ceiling price on bran and shorts?

The WITNESS: Yes, there is an order under the Wartime Prices and Trade Board that deals with bran and shorts naming a ceiling price for the millers and all intermediary selling prices. This is a specific order in that particular case which irons out the individual ceilings and makes separate ceilings right across the board.

By Mr. Hatfield:

Q. What has been done in regard to the production of fish between your board, the farmer and the fisherman?—A. I do not know that I can do any more than say that we have discussed the matter and urged the matter with departmental officers. As far as fishmeal is concerned, of course, that is primarily a responsibility of another department and we cannot say what they are going to do. It is a question of policy of that department.

Q. You think that this fish should be thrown away and wasted; could it not be used for fishmeal instead?—A. We cannot save materials of that kind always.

Hon. Mr. GARDINER: I would think if somebody down in New Brunswick or Nova Scotia wanted to go ahead and put their money into a plant and make fishmeal they would find a very good market for it.

Mr. CRUICKSHANK: I understand that there is some objection to feeding too great a quantity of fishmeal, particularly to hogs.

Hon. Mr. GARDINER: If you feed too much fishmeal to hogs you would not be able to sell your bacon.

Mr. RICKARD: I was going to ask you something about these concentrates, what was being done to produce more concentrates than we have at the present time.

The WITNESS: That is all tied up with matters of a similar nature which are generally in a short position. We have been trying all winter to get material that will be useful for the purpose from the Commodity Prices and Stabilization Corporation, and they have not been able to buy it where they have it. It involves, of course, a lot of other factors such as the willingness or unwillingness of those companies who have it to sell it to us and in many cases where we have had purchases made the countries involved with supplying the stuff slapped embargoes on it and simply told us that they wanted it themselves. However, I can assure you that every effort is being made to explore domestic sources of supply, and everything possible is being done to get sources of supply from outside the country; so they do look for some improvement in the situation but it may never be noticed as the demand has kept on increasing too.

By Mr. Ross (Middlesex):

Q. The question of costs laid down at eastern points, you say that after a carlot leaves Fort William there is an average charge of $2\frac{1}{4}$ cents?—A. $2\frac{1}{4}$ cents a hundred.

Q. And that goes to the commission merchant, that $2\frac{1}{4}$ cents?—A. No, that includes the charge of loading the grain on to the cars at Fort William.

Q. That includes all the charges. When the farmer brings a car in from the west under the quota system he does not have to pay that $2\frac{1}{2}$ cents does he?—A. Well, somebody is going to handle that car and load it and sell it to them and look after the clearing up procedure.

Q. Is that $2\frac{1}{4}$ cents at point of origin?—A. That is just based as I say—it is a nominal price—and that applies at the head of the lakes. But in addition to that down here in eastern Canada you have a merchant who will be buying that grain from the western man; and then the large brokerage houses that have been put up in large centers like Toronto and Montreal, and they in turn fan out all over the country and send it on to the little dealer who wants a car, once in two months or once in three months, or may be once a week, and they buy from him, from this broker who in turn has bought we will say from a man in Winnipeg. They charge naturally a commission and that is usually approximately a cent a bushel, that covers the cost of negotiating the sale and following it through to the delivery point. You have these extra little charges of a cent or two like that, depending on who it goes to and how many times it is handled by these middle men who are in the grain business. Of course, the farmer can go direct to the larger fellow and buy from him if he wants to, just the same as you can through the local dealer.

Mr. RICKARD: But still that $2\frac{1}{4}$ cents is chargeable.

The WITNESS: Oh yes, you cannot get away from that, those are fixed charges out there.

By Mr. Ross (Middlesex):

Q. What would be the charge if you bought a car from a farmer in the west and had it shipped straight through to yourself?—A. The only way you

could settle that would be to buy two cars of identical grain through these two different channels at the same time.

Q. That is what has been done and that is what we are trying to find out.—
A. I think you will find there is no very great difference by the time you get them down here.

Mr. RICKARD: I find it rather difficult to understand just what the situation is. Suppose a farmer wants to buy a carload of grain from his brother in the west and the brother out there says I have the grain and I would like to ship it down to my brother in the east here but I am not permitted to do it; then supposing he were, as I understand it, this man who buys it down here must pay somebody $2\frac{1}{4}$ cents even if it is bought direct from his brother in the west.

The WITNESS: I do not think so.

Hon. Mr. GARDINER: I think possibly we are a little confused on that point. I do not think that is the answer Mr. Presant meant to give. The charge to which he referred is the one which applies from shipments out of Fort William. If the grain is bought at a point in the west and the car leaves the loading platform there and goes to the farmer down here the only charge is the freight.

Mr. RICKARD: That is right. I cannot see why the farmer should pay the $2\frac{1}{4}$ cents when he buys direct from a farmer in the west.

Mr. MACKENZIE (*Lambton-Kent*): If a farmer bought from a brother in the west he would still have to pay that $2\frac{1}{4}$ cents.

Mr. CRUICKSHANK: If he were silly enough to buy it from his brother he would probably have to pay 7 cents.

The CHAIRMAN: If there are no further questions we will release Mr. Presant. We are very much indebted to you, Mr. Presant, for giving us the information you have given us this morning.

The next representative that we had planned to have before the committee this morning is Mr. Young, of the Seeds Branch, and he also has to do with the agricultural supply board. Shall we start with Mr. Young now?

Some Hon. MEMBERS: Go ahead.

The CHAIRMAN: Mr. Young, may I say, has several branches of the service to give attention to. I was talking to him this morning and I suggested he proceed in whatever manner he thinks will be most suitable for him to give the information to the committee. If that is agreeable perhaps I think it would be the best way to proceed. I would ask Mr. Young when he starts to be good enough to outline his general activities so that we will all know just what his responsibilities are. Will that be satisfactory?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: We will now hear from Mr. Young.

Mr. NELSON YOUNG, Seeds Administrator, called:

The WITNESS: Mr. Chairman and gentlemen, I rather hesitate to name the various activities that I am connected with because it perhaps may give you a wrong impression of the size of my job. I was the assistant director in the Plants Products Division in peacetime, and later I was appointed Seeds Administrator in the agricultural supplies board in connection with supply and production; and later on I was given the title of Seeds Administrator in the Wartime Prices and Trade Board—that is in connection with price control. Later I became manager of the seeds section of the special products board, and in that connection my work is the purchase and sale of seeds to the United Kingdom or to her allies of any seeds that we might have to let them have. Then later on to tie up this work all in the one office I was privileged to become a member of the seeds section of the combined foods board in Washington; I suppose the idea—and I personally like it—was to bring in to our office almost all matters

pertaining to supply, production and distribution; and it also gives me some added advantage in getting an even larger picture than our own Canadian picture so far as seeds supplies to the allies are concerned. Well then, during 1941 I was appointed Flax Fibre Administrator—that is under the agricultural supply board—and immediately afterwards I was appointed Flax Fibre Administrator to the Wartime Prices and Trade Board; and then manager of the flax section under the special products board. So I can write to myself as Administrator in one department and tell myself what I think of myself and my work in some other branch.

Well now, in discussing this part of the work I said that I did not want to create the wrong impression; but the seed work is all tied into this one office in the old seed branch or plant production division; and we have, as you know, a number of men scattered all over Canada, and these men have assisted me greatly in carrying on this and other work which just fits in rather nicely.

Well, I will speak for the moment as Seeds Administrator in the agricultural supplies board; and with that board my job as I see it is to do whatever I can—I speak for all those who are associated with me—to see to it that we do everything we possibly can to have enough seed of the essential kinds for Canada and also as much seed as we possibly can to give to our allies.

You know how important seed is, I am sure I do not have to tell you. I might tell you something of the general situation,—although you are perhaps familiar with it,—particularly in the case of vegetables, all of which come from seed; in Ontario alone the vegetables, used for food and which are sold over the counters or in markets—not including the vegetables grown in backyard gardens and by the farmer—these vegetables have a value of about \$25,000,000; and add to that the value of the food of this kind required by the other provinces and by the armed forces of our allies, I think it shows very clearly just where seeds fit into this picture from the food supply standpoint. When war broke out we did what every other group did, we took stock of our position and we found as you would expect that in cereals we had lots of seed, lots of material available to make seed; and in forage crops as at the outbreak of the war, we had plenty of seed. That did not hold true this last year, I will speak about that later. However, in vegetable seed and field root seed we were in a different position. We considered ourselves not in a safe position. It would interest you to know that about 90 per cent of our beet seed that we got, just prewar, came from Germany and Poland, the major part of it actually from Germany, and Poland and Czechoslovakia.

By Mr. Rickard:

Q. Did you say beet seed?—A. Yes.

By the Chairman:

Q. Sugar beet?—A. Yes, sugar beet and other kinds as well.

It is true that the United States are producing sugar beet and other vegetable seed on a large scale but, unfortunately, the United States is also an importer; even though at the outbreak of the war she was a tremendous producer still she was importing vegetable seeds. Well, we got many of our other kinds from continental Europe. After gathering information on sources of supply our next move was to check up on our supplies right in Canada, and we found that we had about a year and a half's supply. Now, that is normal position with seed, but it is not good enough at a time like this because a lot of these seeds are biennials and it takes two years to produce them. Our next move was simply to ask the seed trade to go to other sources and do their very best to locate additional stocks to get us into a safe position. At the same time the whole picture was considered by the agricultural supply board and others in the department—and it was decided that we should with the co-operation of the provinces sponsor a vegetable and

food root seed production program. That program was started in 1940 on quite a small scale; mainly in the maritime provinces and British Columbia, although some in Quebec and Ontario. I think I should mention, to make it entirely clear, that British Columbia had entered into the vegetable seed production and through their efforts they have trained a number of farmers so that we were able to speed up production, and what they have done provided a guide to farmers in Ontario and other parts of the dominion. Therefore we were looking to encourage the production of this seed. However, there were not nearly enough men trained, and the production of this seed is quite a job—isolation, handling, special machinery, special storage, equipment and so on—considerable training had to be given new producers and of course we had the co-operation of the provinces and the universities and all the growers' organizations too. I do not wish to go into the details, the program started on a small scale and I might indicate to you just what this program has developed into. I will give you the latest figures for the 1943-44 crop. Biennials as you know, means that anything started now will mature only in 1944. We are producing now or intend to produce—about 125,000 pounds of beets; about 100,000 pounds of certain kinds of beans; 4,400 pounds of cabbage; well over 100,000 pounds of carrots; 25,000 pounds of cucumber; about 27,000 pounds of lettuce; onions 111,900 pounds; radishes 80,000 pounds; spinach 57,000 pounds—there was some discussion as to whether spinach was an essential crop, as far as I was concerned I was not very anxious to grow it, but it is felt that there are a very large number of people who want it and it can be grown easily, it is an annual crop.

The CHAIRMAN: Are those figures pounds of seed?

The WITNESS: Yes, pounds of seed; these figures are all pounds of seed—tomato 3,400; swede seed 216,800 pounds and mangle about 300,000. That is the way we have developed and I think with this firm supply of essential kinds, plus we have in store or what we estimate is in store, plus firm contracts that we have in the United States that we are in a safe position for the spring of 1944, as far as field roots and garden vegetables are concerned. When I say a safe position, of course what I have in mind is that if Canadian seed matures then we should be entirely safe.

And now, in addition to that, and here I must speak as a workman for the special products board—we have almost as large figures under contract now to be delivered to the United Kingdom of most of these types of seed.

By Mr. Cardiff:

Q. Pardon the interruption; could you give us the percentage of the increase from prior to the war?—A. I have not worked that out. I do not know whether I have the first program here. I did not wish to bring over a lot of figures. Actually I can tell you with these beets we have a very small supply.

Hon. Mr. GARDINER: It is the production he is thinking of.

The WITNESS: In beets I imagine our increase has been perhaps 400 per cent, and in cabbage we are beyond that. I do not think we produced 5 pounds of cabbage in 1938 or 1939. Lettuce is the same. There was some lettuce produced but very little. There was not any cauliflower although one man in British Columbia was experimenting with it. Radishes again are away up. I rather hate to suggest that it may be 500 or 600 per cent increase. As to swedes our production pre-war averaged around 25,000 pounds, and we are asking for a production of about 216,000. In mangles we produced somewhere around 50,000 and we are asking for around 200,000.

By Mr. Rickard:

Q. Does it cost more to produce them here?—A. Yes, in most cases it does because of our winter in Canada. The roots have to be lifted and stored. Your

winter loss in this country is extremely heavy. British Columbia is particularly favoured because in some areas you can plant your seeds and a root will form and you can simply leave that root in the ground over winter in the field and it grows next spring, so that the costs of storage are less.

By Mr. Ross (Middlesex East):

Q. Is there any difficulty being experienced with the importing of vegetable seeds from the United States?—A. Yes, because since the formation of the combined foods board the United States has agreed to allocate supplies, and she has been very generous with all the allies. Actually they are more scarce than we are right now on many stocks of seeds.

Q. I gathered from what you said that the situation was all right for this year as to supply?—A. For the spring of 1943.

Q. Does that include the expected imports from the United States?—A. Yes.

Q. That includes the expected imports?—A. That is right, it does.

Q. Then those are not the Canadian figures; they include the United States figures?—A. No, I have given you our production figures here, our figures with what we are now carrying over from the spring of 1942 plus what we feel we can rely on getting from the United States.

Q. That is what I am trying to get at.—A. Will put us in a safe position, and I feel quite certain that is the case. Expect we will get all our deliveries from the United States, they are very carefully placed by our firms; the government down there has taken a record of them and I expect they will be delivered to us.

Q. If there is any change in the situation it will probably be for the worse as far as imports are concerned?—A. That is quite true.

By Mr. Rickard:

Q. We can look for the price to be about the same in 1944 as it is now?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. We are exporting a considerable quantity to the old country?—A. Yes, under a production contract the seed is earmarked for them, taken into consideration in the allocation made by the seed section of the combined foods board.

I think before I conclude this seed section of the agricultural supply board I should refer to about five other items. I judge that you would be interested in them. Last year, as I suppose you all know, was particularly unfavourable for the production of seeds of alsike, red clover and alfalfa. Plans were made through our office to do what we could to help out. This is the first time that we were definitely short since the war began on any of these seeds. Plans were made to move alfalfa seeds from the west to the east. I do not think it is anybody's fault, but we got ourselves into a rather peculiar position because the United States prices for these commodities were higher than ours. Therefore buyers in Canada were very anxious to export, and export as rapidly as they could. I refer to western Canada particularly, because they are surplus producers there. The result was that we had to put the brakes on and hold that seed in the west. Some seed companies had bought for export and perhaps paid a little more than they would have paid had they not thought they were going to get this seed exported. When we stepped in we had to actually take possession of this seed. We actually had to purchase it and move it to the east. We moved 487,000 pounds to the east which we purchased.

By Hon. Mr. Gardiner:

Q. Of what?—A. Of alfalfa. There were 289,000 pounds shipped direct from western dealers to eastern Canada, to eastern dealers, that we did not have to bother about. This makes a total of about 776,000 pounds that moved from the west to augment the supply in the east which was estimated at 1,400,000 pounds. Actually 2,000,000 pounds is perhaps high for the average eastern demand, and in this year we have got more than our 2,000,000 pounds, but the programs to increase livestock, and so on, have created a tremendous demand and I must admit we could have sold a lot more alfalfa in eastern Canada. I feel that perhaps we just could not get hold of enough to meet that demand.

In red clover we had a production in eastern Canada of about 1,200,000 pounds. Eastern Canadian requirements are pretty close to 3,000,000 pounds. We purchased 786,000 pounds from the United States, brought it in and distributed it in eastern Canada. This seed was rateably distributed to the dealers through the regular channels, and it fell short of meeting the needs of the eastern Canadian people by quite a considerable volume. I would like you to know that the United States had commitments to deliver to Europe. When they had fulfilled those commitments they were in just as short a position as we were.

The alsike position was even worse, and the United States had an even worse crop than we had, so we simply could not get more than a relatively small amount, only about 167,000 pounds.

By Mr. Rickard:

Q. Was this all government No. 1 inspected seed?—A. No, it was all graded seed. The red clover and alsike were mostly No. 1 and 2. The alfalfa ranged right down to No. 3, and frankly we got more No. 3 than we expected or hoped to get. We were quite disappointed, but actually they had rather unfavourable conditions out in the west which resulted in the quality of their material being quite low.

By Mr. MacKenzie:

Q. Is it not true that a great deal of the No. 1 seed was exported to the United States previously and the No. 3 was sent down here?—A. Actually my records do not show that. My records show that all grades were sold to the United States and there was more No. 1 got into the United States in proportion than what was brought down here but they took a lot of the lower grades, too. Strangely enough the American buyers like to buy our low-grade stuff. They have good cleaning equipment down there and they can take our low quality material, at a low price and dress it up. They take a lot of our lower grade alfalfa from the west.

Then I think I should mention sunflower. Through the government agencies we have distributed seed of the best stocks we could get hold of, and all we could get hold of. It will seed somewhere in the neighbourhood of 27,000 acres. There will be additional acreages grown by people who had been in the sunflower business before but the acreage is extremely hard to estimate. The biggest acreage will probably be in southern Manitoba where in the Mennonite section they have grown their own seed for many years, and it is good seed.

In the case of this black Argentine rape that Mr. Shaw referred to at your last meeting we got all the seed we could get hold of and we distributed that under a program that was originally designed to have a production in all the provinces, to P.E.I., Nova Scotia, New Brunswick, Quebec, Ontario, and to Manitoba. It was found that the maritime provinces did not wish to undertake this production this year. Quebec did not want nearly as large an amount as

we had hoped for, and Ontario actually did not take as much as we had hoped. We were able then to take more to western Canada. It was actually the only place that we could find acreage to put it in. The distribution of the rape seed indicates that we will have somewhere in the neighbourhood of 5,000 acres of black Argentine rape in production this year. I think that covers seed.

By Mr. Rickard:

Q. Before you leave alfalfa do you believe that western alfalfa is as good for Ontario as the homegrown?—A. Yes. it is a variegated type. Perhaps I had better answer it this way, that the experimental farm men who test it tell us it is just as good.

By Mr. Ross (Moose Jaw):

Q. I have been informed that a good deal of the vegetable seed grown in Ontario has been placed in the hands of the Czecho-Slovakians. I suppose that is because these people have considerable knowledge in regard to the growing of those seeds, is it?—A. Actually the system arranged is that we in our office work through a provincial committee, and the provincial committee contacted a Mr. Abel who had been a seedsman in Czecho-Slovakia. It is reported, many times wrongly, that he has got a tremendous amount of this seed under his control. Actually he has a relatively small acreage, and he has farmed it out to a few of his neighbouring people there. I think I reported to you, Mr. Wood, on that?

Mr. Wood: Yes, you did.

The WITNESS: It is not a large acreage. We believe, however, that these people can do an excellent job, and if they show themselves capable this year they may get more. If they handle it properly and co-operate properly they may get more.

By Mr. MacKenzie:

Q. Is it not true that in the Wallaceburg district they have been growing sugar beet in a small way successfully?—A. Yes. They have grown about one-quarter of their supplies for a number of years and have done it quite successfully, but the company that looks after that also have interests in Illinois, in Oregon and Idaho. They have spread their production of seed all over to protect themselves. They now have an acreage in British Columbia.

By Mr. Evans:

Q. Is there any attempt to produce vegetable seeds in any of the western provinces?—A. Yes, we have a small program in Manitoba and this year for the first time we have started production in Saskatchewan. Alberta has been producing some vegetable seeds for two years. They are bound to have more difficulties than British Columbia and some of the other sections that are more favoured as far as winter is concerned.

By Mr. McNevin:

Q. In view of the increased tendency towards mixing of clover seeds for hay which may have the effect in some parts of cutting down the yield of seed what would you think the success might be of getting seed from a mixture of red clover and alfalfa? I was wondering if that had been grown to any extent or cut to any extent for seed?—A. I do not think it is. There is no reason why it should not be. It can be sold as a mixture, but actually the buyers do not like that. They would prefer to buy and mix themselves and know the percentages.

The CHAIRMAN: Are there any further questions that you would like to ask on this phase of this statement? Can we proceed to the next, or what is the

pleasure of the committee? Another feature that Mr. Young was going to deal with was with respect to the production of fibre flax in which considerable interest has been shown by members of the committee and by people outside also. Would the committee wish to proceed with that now?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Will you go on and tell us what has been done with respect to fibre flax production?

The WITNESS: Mr. Shaw gave you some figures when he addressed you at your last meeting, and they pretty well described our progress in this work. There were eight mills at the beginning of the war and the acreage was some 8,000. At that time there was no agreement between Canada and the United Kingdom or the United States regarding the disposal of the fibre or tow. The United Kingdom had a buyer in Canada and they simply bought and took the material over. At that time the price was 32 cents a pound for the top grade and ranged down for the various grades. In 1940/1941 the U.K. buyer was still here and there was no agreement between us. The acreage was stepped up to 20,000 and the number of mills was sixteen. The same prices were in effect. In 1941/1942 we had 44,000 acres with thirty-five mills in operation and the price was increased to 35 cents for the top grade.

In 1941/1942 the crop of fibre was divided on a 50-50 basis between the United Kingdom and the United States. In 1942 the first agreement was drawn up and again it is on a 50-50 basis, and the price was increased to 45 cents for the top grade material. That price is still in effect and will continue in effect until the 15th of September this year.

We have been in touch with the British Raw Materials Commission and have been able to get them to again increase the price on the linen fibre only another 10 cents per pound, making a top of 55 cents for the top grade, but we did not get any increase in our tow prices.

By Mr. Golding:

Q. What is your tow price?—A. The top tow price at the moment is 22 cents for the tossed flax which is a tow product, and the turbine tow prices are 16, 14 and 11. I have a statement where all these mills are located. I do not think you would want that read. Mr. Shaw gave you a breakdown of acreages in the various provinces.

By Mr. Cruickshank:

Q. He just gave last year's?—A. That is true. I have just got a breakdown for last year and I have not got a breakdown before that.

By the Chairman:

Q. That does not show very much in British Columbia?—A. One hundred and seven acres.

By Mr. Cruickshank:

Q. That is the reason I am trying to get it. I was absent yesterday and these stupid men did not understand that we have a thousand acres this year.—A. That is right, and I understand your mill is under construction right now, and I understand also there is no reason whatever for you to worry about the possibility of a permit to get the machinery you want.

Q. You might also put it on the record again that we have paid for everything ourselves in British Columbia.

By Mr. McNevin:

Q. At last year's prices what would you estimate the gross returns per acre might be, and what expenditures would be entailed? What would be the approximate return per acre to the grower based on what might be called the average crop?—A. We had a cost survey made of seven mills. I have not that figured out here but I can tell you very close to the proper figures. There are a lot of them below the average and a few real good ones which brought this average up, but it was around \$90 of gross return per acre. From that you have to deduct your processing cost which varies greatly based on the efficiency of the operator and the type of material he has, and all that. The average processing cost, which included administration, would be somewhere in the neighbourhood of \$32 per acre. The farmer's cost of production on the average would be around \$32 or \$35. I have figures from \$28 to \$45, but I think \$32 to \$35 is about the average.

Q. That would be the cost of his own labour?—A. That is his own. It is a costly product to handle since he has to handle it so many times.

Q. What is the method of harvesting?—A. The seed is seeded in the usual way at about a bushel and a half to the acre. The crop is allowed to mature to just the right condition, not too ripe and it is then pulled. A puller is a machine that has recently been devised, and is made in Canada, and is simply two belts which come together to lift the flax and lay it down evenly in long rows. It is allowed to stay there until it is properly retted. Then we have a lifter device, and the lifter works on the same old principle of lifting as a hay loader and it elevates and binds it so that it can be handled more easily. After binding the flax is put into store and covered so that it retains its quality, and from there it is ordered into the mill when the mill want it.

By Mr. Golding:

Q. Mr. Young, can you give us approximately what the different types of machines are which are used in one of these mills, and the cost of each machine? Can you tell us that?—A. I think I can come quite close. I would prefer to be accurate on that.

Q. Maybe you could get it and put it on the record again?—A. If you would care to have approximate figures I will give them.

By Mr. Cruickshank:

Q. Are pullers available?—A. Yes, there will be 150 made this year. That is the quota.

Q. Is the government assisting in any way in providing the pullers?—A. No.

Q. Have you any idea how much they cost?—A. Yes, about \$700.

Q. And they will be available for purchase?—A. Yes, there will be that many available. The crop conditions this year are not favourable in some of the sections of eastern Canada so that I judge there will be plenty to go around.

Q. We shipped a carload from British Columbia, one of our little farms out there, to the Department of Agriculture and it was all rotted when it got back there. We had no facilities for treating it, and the experimental farm shipped it back and it was all mildewed.

By the Chairman:

Q. What are the different things that they use this material for when it is finally produced?—A. I am sorry I did not bring that list, but this fibre and tow, everything that comes from that flax mill other than seed, is considered as an essential product and used only in the manufacture of supplies for war equipment. The biggest bulk of it is used for airplane fabrics, used on the Lancaster bomber, I believe, for the fuselage, and the next largest amount is used for parachute cords, strong, fine cords. Then there are many other things made from fibre flax.

Q. Did tow used to be used for some other purpose before the war, the lower grade part of it?—A. For linen towelling; ordinary dishtowels, linen dish-towels, were made out of tow.

Q. When it is used for that purpose the seed is not recoverable?—A. Yes, the seed is recoverable to an extent. If a crop would normally yield say, 7 bushels per acre, a crop handled as fibre and processed for fibre purposes, will yield somewhere between 3 and 4 bushels per acre return, but the fact that you leave it out lying on the ground to rot, and the rain and the wind will knock off the bolls and reduce your yield greatly so far as the seed is concerned.

By Mr. Golding:

Q. What is the price of your fibre flax seed now?—A. About \$4.50 for commercial seed is the top price. Any of the certified material is not under the ceiling and it is selling right now at about \$5.50.

By Mr. Cruickshank:

Q. Per bushel?—A. Yes.

Q. What did you say it required per acre?—A. About 84 pounds.

By Mr. Golding:

Q. That is lower than it was at one time?—A. Yes, it was considerably higher.

Q. It was over \$6, was it not?—A. Just \$6 is the highest that I know.

The CHAIRMAN: Are there any further questions that you would like to ask Mr. Young now?

By Mr. Rickard:

Q. Is it sowed in rows?—A. Yes, it is sowed exactly the same as other flax.

By Mr. MacKenzie:

Q. Is there any hemp growing this year?—A. Only that which is grown at the experimental farm.

Q. There are no permits?—A. No.

Hon. Mr. GARDINER: No, they have not listed any acreage for this year.

The CHAIRMAN: Any further questions in respect to this particular feature? Can we release Mr. Young?

By Mr. McNevin:

Q. Would Mr. Young have information on milkweed?—A. No, I am sorry, that is all under the experimental farm. It is still in the experimental stage.

By Mr. MacDiarmid:

Q. Have there been any recent researches as to different uses for this tow? I know there is a rumour that one of our flax men who has been financially embarrassed has discovered some new use for this tow, and they say he is going to make a million out of it through an American firm. I do not know what it is or what it was.—A. Do you know the firm, or do you wish to mention it?

Q. Lancaster; it was Archie McDonald. He said he had some dealings with some American firm to get rid of what they were not using here.—A. To get rid of what we consider low-grade material and some of the waste material which can be used for making cigarette papers. Any of the tows can be used to make currency papers—the dollar bills.

Q. Is that only a recent matter?—A. No, they have been doing it for a long time. In the pre-war period our dollar bill had about 75 per cent of fibre in it, but I think it is down now to 35 per cent of fibre.

By Mr. Cruickshank:

Q. Are you producing something in Canada that is used for cigarette papers?—A. Yes, the Howard Smith people at Beauharnois are buying somewhere in the neighbourhood of 500 tons of waste material and low-grade tow for use in cigarette paper and currency paper.

Q. I did not know that we did that.—A. It is a very interesting process. Before the war they used the linen rags from the old country and they are now taking our waste material and using it.

Q. That is being done in Quebec?

The CHAIRMAN: Well, gentlemen, Mr. Young will be available at a later stage should the committee wish to hear him further. If there are no further questions we will adjourn.

The committee adjourned to meet Tuesday, June 22nd, at 11 o'clock a.m.

SESSION 1943
(HOUSE OF COMMONS)

CA1
XC12
-A48

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

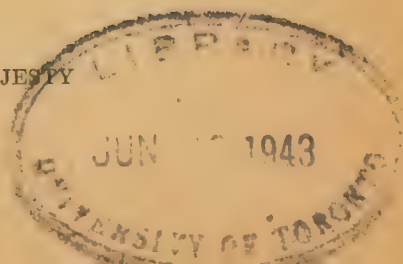
No. 8

TUESDAY, JUNE 22, 1943

WITNESSES:

Mr. K. B. Conger, Manager of the Fruits and Vegetables Section, Special Products Board;

Mr. W. A. Brown, Manager of the Poultry Section, Special Products Board.



MINUTES OF PROCEEDINGS

TUESDAY, June 22, 1943.

The Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., the Chairman, Mr. Weir, presiding.

Members present: Messrs. Black (*Chateauguay-Huntingdon*), Blair, Clark, Cloutier, Cruickshank, Dechene, Donnelly, Douglas (*Queens*), Dubois, Evans, Fair, Fontaine, Furniss, Golding, Gregory, Henderson, Lafontaine, Lalonde, Leader, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Mullins, Perley, Rheaume, Rickard, Senn, Soper, Tustin, Ward, Weir, Whitman, Wright.—37.

In attendance: Mr. K. B. Conger, Manager, Fruits and Vegetables Section, Special Products Board; Mr. W. A. Brown, Manager, Poultry Section, Special Products Board, and Mr. L. W. Pearsall, Secretary-Manager of the Meat Board.

The Minutes of the last meeting held on Friday, June 18, were read and approved.

Mr. Conger was called. He reviewed the functions of the fruits and vegetables section of the Special Products Board, and was examined.

Witness retired.

Mr. Brown was called and dealt chiefly with the export of fresh and dried eggs to Great Britain. He displayed to the Committee a sample of the dried product manufactured in Canada.

At 1.00 o'clock, on motion of Mr. Lafontaine, the Committee adjourned until tomorrow, Wednesday, June 23, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, June 22, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: We have with us this morning Mr. Karl B. Conger, of the Special Products Board, dealing specifically with the matter of fruits and vegetables. Are you prepared to hear Mr. Conger this morning?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: I take pleasure in introducing to the committee Mr. Conger of the Department of Agriculture whose special work at the present time is the matter of fruits and vegetables under the Special Products Board.

Mr. KARL B. CONGER, Manager, Fruits and Vegetables Section, Special Products Board, called.

The WITNESS: Mr. Chairman and gentlemen, as Mr. Shaw, the Chairman of the board, explained, the special products board was formed to handle the requirements of the British Ministry of Food which did not come under the bacon board or the dairy board; and the board was divided into two sections, the poultry products under Mr. Brown as manager, and the fruits and vegetables products section of which I am the manager. I have been an official of the fruits and vegetables division before that; and I thought the simplest way would be just to tell you what our functions are very briefly and mention the things that we have handled; some of them I was handling for the British Ministry of Food before there was any board, because under the assistance to Nova Scotia a considerable quantity of canned apples and evaporated apples had been processed, and the British were interested in them. Their credit would come to me and I would then ship it and receive payment. And now that has been changed and it goes through the board. We carry on negotiations with the British Ministry of Food for their requirements of such products—and I would just indicate them: evaporated apples, dried apple pomace, canned apples, concentrated apple juice, fresh apples, fresh onions, canned tomatoes, concentrated tomato pulp, tomato puree for packing herring; strawberries, raspberries, prunes, greengages and other plums treated with SO₂; dehydrated potatoes, cabbage, carrots and turnips, and a small amount of spinach and beans; dried beans and honey.

By the Chairman:

Q. Before you leave that, you said you carried on negotiations with the British Ministry of Food; do you carry that on directly?—A. Well, at first we carried that on—before the British Food Mission opened an Ottawa office. All our cables from the board went through the Commercial Intelligence Service of the Department of Trade and Commerce and were handled by the Canadian government British Trade Commissioner direct with the British Ministry of Food, and contact was arrived at in that way. Since they have established the British Food Mission office here we carry on our negotiations with the British Food Mission people here.

Q. You do that for these products?—A. That is right.

By Mr. Wright:

Q. Have you the amount that they desire of these various products?—

A. Yes. I want to explain, these are the products that we have handled, some of them are not being manufactured now, some of them are not desired now; but these are the ones that we have handled; and I can if you like give you an idea of what they took from each one of these crops and what they have given us to understand they want out of the present, the approaching crop. I think that would be the simplest way of going into it.

By Mr. Senn:

Q. You only deal with the British Food Mission?—A. That is right.

Q. You do not have anything to do with the general policy of the Department of Agriculture in the case of apples; of course we are not allowed to ship apples to Great Britain at the present time and just after this condition arose the department laid down a policy of disposing of them; do you deal with that as well?—A. Not as a special products board, Mr. Senn. I sometimes sit in when it is discussed with these people; but not as a representative of the special products board. We secure what the British want. And then, as I say, we carry on negotiations with them and try to arrive at a price which is satisfactory both to them and to the producers in Canada, and to the suppliers of the product.

By Mr. Evans:

Q. You are only interested in securing the quantities which the British Food Mission require?—A. That is right; simply speaking, we are not high pressure sales people.

By Mr. Leger:

Q. Might I ask one question here: is it possible for you to tell the committee what volume of dehydrated potatoes will be required for next year?—A. Yes, I will give you that if you like; although I think perhaps I better take and give you first what went out in 1941 and 1942, and then what we expect to send out of the 1943 crop. I think that will answer your question.

The CHAIRMAN: Perhaps I am the one who made the mistake in asking Mr. Conger a question relative to his position at the start, that possibly has led to a lot of discussion. It might be advisable for him to continue his statement and have each member of the committee jot down things about which they want to ask questions later on. I think we will make better time in that way. Is that agreeable to the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Then, gentlemen, we will proceed and we will come to questioning later.

The WITNESS: Might I say a word of explanation in regard to my statement with reference to onions. Last year we made a contract in British Columbia for 3,000 long tons of fresh onions to go to Great Britain and just as they were about to move there was no ocean space available so we had to make other arrangements, and I had to go out to British Columbia to arrange for these onions to be dehydrated. That is why there were no fresh onions shipped last year while the year before there were 20 carloads.

Then, our second function is to make arrangements with shippers and manufacturers for the necessary product. We must then secure the necessary ocean space and arrange for that. We then have to make arrangements to pay for the shipments from money made available by the Bank of Canada under letters of credit. The British establish a letter of credit there and with certain documents we get the money and are able to pay the shipper within a very few

hours. And then we have also been handling—not a part of the special products board work, but we used the same office—the requirements of the armed forces for dehydrated vegetables; they were all manufactured really at the instance of the agricultural supplies board and in effect they are the owner of the product and as they do not have anybody to do it, it was thrown over on to us to act as shipping and sales office for them; so we have supplied Canadian armed forces with what they required as far as we had them.

And now, that is the general workout on our section of the board. Out of the 1941 crop we shipped 400 tons of fresh onions; 1,199,990 boxes British Columbia apples, 9,579 barrels Ontario apples, 101,465 barrels Nova Scotia apples, 116,147 vases evaporated apples, 50 lbs. each, 2,104,334 lbs. dried apple pomace, 3,982 barrels concentrated apple juice, 300,000 cases canned tomatoes, 6,691,915 pounds fruit in SO₂—and that had a value of \$4,200,000.

Q. What does that mean?—A. The British like to make their own jam, and in British Columbia they put the strawberries into 40-gallon barrels and then they are treated—given a solution of sulphur dioxide. That solution is put in and it rather fades the colour out and it preserves them; and when they come to make their jam they boil the product and the colour comes back and the sulphur dioxide disappears; and the result is that they have the kind of jam they want.

The value of other items shipped in 1941 from the 1939 and 1940 crop was as follows:—

SO ₂ strawberries	\$166,261 20
Dried apple pomace.....	18,783 95
Dried apple skins and cores.....	2,143 21
Evaporated apples	36,407 50
Canned apples	669,930 40
Value of above.....	\$893,526 26

I might say that when you come to the pulps, like plums, prunes, green-gages, they have to be cooked to a certain extent with the skins just breaking. It cannot be done as you do with strawberries. And I might say that the reason for the heavy British importation of prunes in 1941 and the drop last year is because the British crop was a failure in 1941.

By Mr. Cruickshank:

Q. Were the prunes in pulp too?—A. Yes, they were in pulp too.

Q. Is that from British Columbia?—A. Yes, and the fresh onions were also from British Columbia. We tried to get some from Ontario, but Ontario was not interested at that time.

The WITNESS: The value of that crop ran to something over \$4,000,000; and in addition to that there was a carry over from 1939 and 1940 crops and these were also shipped. I have not got the exact quantities, because there is a break in the fiscal year and some were travelling and some on the ocean; but this will give you the picture: the SO₂ strawberries amount to \$166,000, the dried apple pomace, nearly \$19,000; the dried apple skins and cores \$2,143.21; evaporated apples \$36,000 and canned apples \$670,000; a total of about \$893,526.26.

By Mr. Donnelly:

Q. How long would they last with this sulphur dioxide?—A. On this particular lot that I just read, they were processed in 1940 and we shipped them I think it was the spring of 1941; and I might say that of all that quantity shipped we only had complaints on about five or six barrels which had gone bad for some

reason or other and that was the only complaint on all the stuff that was shipped, so the product gave very good satisfaction. I might say in connection with the fresh apples we were told that they would not be required, they had no ocean space for them; and as you know the situation changed rapidly and they wanted apples and that was the reason that move was made. There was a very bad windstorm and we were not able to get many apples from Ontario, which accounts for the much small quantity. But I might say that no matter what kind or type they were they went over on our inspection certificate, our inspection certificate was accepted and we had no claims from them in that regard.

By Mr. Rickard:

Q. Will there be much of a demand for Canadian apples this year?—

A. I do not expect any.

By Mr. Cruickshank:

Q. What size of cans are the apples put up in, are they 10-gallon cans?—

A. No. There are no canned apples, they are not being put up now because there is no tin; except some for the Canadian armed forces. They were put up as part of the assistance to Nova Scotia those first years.

Mr. LECLERC: Mr. Chairman, I was going to suggest that we abide by your suggestion that we refrain from questioning the speaker; because, if the speaker has to deal with all kinds of questions every few minutes we will never be through.

The CHAIRMAN: I think we should try to keep our questioning limited. There are some points on which a little clarification might be desirable from time to time but I think we should proceed as far as possible without questioning.

The WITNESS: I am through with 1941.

Well, then, the situation changed considerably in 1942. The following items were shipped from the 1942 crop. As I said, we made arrangements to have grown, and we finally received 3,090 tons of fresh onions, which were to go from British Columbia, and ocean freight not being available they were dehydrated at Vernon. We shipped 1,186,640 pounds of SO₂ strawberries; also 25,889½ dozen No. 12 tins concentrated tomato pulp, 133,619 cases evaporated apples, 50 pounds each, 1,273,780 pounds dehydrated potatoes, 44,040 pounds dehydrated cabbage, 49,920 pounds dehydrated carrots, 40,740 pounds dehydrated turnips, 27,798 4-gallon cans tomato puree for canning herring in British Columbia.

The last item was used in combination with fish the British wanted to pack with tomato sauce and we bought that much here, and they had to get a certain quantity under lend-lease in addition. The items just mentioned were shipped out of the 1942 crop, and had a value of approximately \$1,900,000.00.

By Mr. Quelch:

Q. Is that manufactured in British Columbia?—A. Yes, right close to where the fish is being put up. We did not have anything to do with the tomato puree which was used on the Atlantic coast in packing herring. I understand those purchases were made under a different method; I just don't know how but they used considerable there too, but they were purchased from manufacturers in the eastern part of Canada.

On the 1943 crop I can only give you what appears on the surface at the moment, and a lot of other things may come up, because they do come very unexpectedly sometimes, and sometimes they drop off the same way. They want 5,000 tons of dehydrated vegetables. They also want Canadian dried beans and will be prepared to take up to 40,000 long tons, which I think you will agree is more than we can hope to have available.

By the Chairman:

Q. Of what?—A. Dried beans.

The WITNESS: We know that these are definite requests and we are quite sure that they will again want a supply of evaporated apples and probably of concentrated tomato pulp. They might want some other products. They would have been prepared to take strawberries in SO_2 ; but I think as everyone knows the situation is so very tight in Canada and with our armed forces requirements and the short crop we have told them that there are none available and they will get some, I expect, from other sources. I would think that the value of the 1943 crop that I have mentioned would run to, if we get it all, about \$11,000,000.

By Mr. Senn:

Q. You did not give us the value of the 1942 crop.—A. The 1942 crop—the value of that was approximately \$1,900,000.

Dehydration is a subject everyone seems to be interested in and I thought perhaps the committee would like to know the proportion of fresh and finished products; for instance in potatoes it will average about one pound from seven; in onions, one pound from ten; in carrots one pound from ten; turnips one pound from thirteen; cabbage one pound from seventeen; beets one pound from ten; parsnips one pound from eight—I mean these are pretty close to it as far as our scientific friends tell us.

And now, that is pretty well the function we carry on as the fruits and vegetables products section of the board; and sometimes we do run into difficulty in getting containers for some of these products, which is quite a problem.

By Mr. Golding:

Q. Could you give us any idea of the cost of these products?—A. No, I could not give you any particulars on that. The agricultural supplies board carried on the original work, and they tried to work out and ascertain what these costs would be, and that is something that I have had nothing to do with. The contracts this year are being arranged by the special products board; and in each case where it looks possible to find the product we will make the contract and we make the contract in each case for say so much of dehydrated potatoes packed in metal containers—you cannot put them in any other kind of a container—at so much per pound f.o.b. the manufacturer's shipping point.

By Mr. Evans:

Q. Who negotiates the prices on the various types of contracts you make; and where is the price based; at seaport or the production point?—A. On some of these things the prices are at seaport. On the dehydrated products the price is f.o.b. the shipping point. The British credit permits us to be reimbursed for the freight the manufacturer pays on the inland portion of the freight.

By Mr. Cruickshank:

Q. What is seaport, either coast?—A. On practically everything it has been the Atlantic coast. The SO_2 products have gone from the Pacific coast, as well as the dehydrated onions, which they did not want as dehydrated onions, because they could get their onions dehydrated in Egypt much cheaper than they could here.

Mr. MACKENZIE (*Lambton-Kent*): Have you facilities or equipment for the dehydration of large quantities in operation now?

Mr. DONNELLY: Yes; where are these dehydrating plants, and what size are they?

The WITNESS: The dehydration plants will be operating pretty much up to their capacity this year. Some of them have been operating for some years and have some private business which they have been carrying on for years such as supplying survey parties and so on, and we are not interfering with that. The plants are at Kentville, Nova Scotia—that will operate on potatoes. New Brunswick Potato Products, at Hartland. Then there is Ferdon Regd. at LaPrairie in Quebec; they will operate on carrots, cabbage, turnips; and Beardmore of Oakville, Ontario, will operate on cabbage; and Graham of Belleville on potatoes, cabbage and turnips—I may be a little out as I am just doing the best I can from memory—Canadian Cannery Limited are equipping a plant at Brighton and another at Forest, and they will be doing general dehydration of the four products because the British only want the four vegetables, potatoes overwhelmingly, cabbage much less, then carrots and turnips are away down on the list. Then there is the Kildonan Canning Company of Winnipeg who will do a general line but no potatoes, about 350 tons. Then Bulman's Limited of Vernon, will do pretty well everything except turnips, something over 700 tons we expect. Broder Canning Company of Lethbridge are doing 300 tons of potatoes, cabbage, carrots and a few turnips. And there is a plant, the Island Foods Incorporated at Summerside—I am not sure how much they will be doing, I think probably in the neighbourhood of 700 tons. And the Pirie Potato Products of Grand Falls, New Brunswick, something in the same neighbourhood. The result of that is that we figure we have contracts either completed or in process of completion which will meet the requirements of the British Ministry of Food and also meet the anticipated figures of requirements from the Canadian armed forces, and with a certain surplus over and above that because you must figure on the fact that some particular territory may have a failure or they might not be able to get a certain product they are counting on.

By Mr. Soper:

Q. Did I hear you all right, that your sales in 1942 were about \$4,200,000?—A. Yes, and in 1942 the shipments were down, ocean space was very tight.

Q. And your anticipation of \$11,000,000?—A. Well, the dehydrated vegetables were all used by the British for their armed forces, not for civilian feeding at all, and they are given a very high priority rating on the ocean list; so they have assured us that that is one thing they will be sure of getting space for. Then, on the beans, while I say \$11,000,000, as I say, we all know that that is a figure we will probably not be able to reach.

Q. Is there any big backlog of these things in the country now?—A. Oh, no; we have not any backlog. You see, in 1942, as far as the dehydrated program was concerned, we found difficulty in finding out what the British required, and the result was we could never get the quantity which they finally were prepared to take because you could not get priority for the materials going into the manufacture of these things; and in many cases you could not get the product itself because it was so late in the season.

Q. How are these dehydrating plants owned? Are they owned by the government, or are they owned privately?—A. No, they are owned by private individuals.

By Mr. Cruickshank:

Q. Do they plan any expansion in supplies of that kind that they will require this year?—A. Yes, they have stated their requirements. And then, you have to keep this in mind, that before we do any negotiating—we haven't got a signed contract yet with the British for the 5,000 tons—we have to take it up

with the Wartime Prices and Trade Board, to see if this amount of fresh vegetables being dehydrated is going to affect the general situation in Canada. They have said they felt we should get 5,000 tons.

Q. Are they still building these plants in different parts of Canada, do you know?—A. As far as the plants are concerned, as I say, I do not have anything to do with that particular angle of it.

By Mr. Wright:

Q. Which in your opinion this year will be the limiting factor, the amount of vegetables available or the ocean space available for their transportation?—

A. I think a little of both. I think that if we get the supplies—you see, what it comes down to really is this, that there is a very considerable shrinkage in volume in the dehydrated product as compared with the fresh product, as you know and I think ocean space will be provided.

By Mr. Senn:

Q. I would like to ask Mr. Conger a question or two, and the first one is in regard to dehydration. Are the returns to the producers of dehydrated products the same as if they had not been dehydrated; does the producer get as good a return for fruits and vegetables when they are dehydrated as he did otherwise?—

A. The dehydrator really in fact has got to pay the market price to get his supplies.

Q. And the fact that there is a demand for dehydrated products does not affect the market one way or the other?—A. If anything it would be inclined to increase prices. We found that to be the case in Winnipeg. A man there put his money into a plant and got the plant ready to operate and we tried to get him going by arranging for certain supplies of cabbage. We were told that there was a considerable supply of cabbage available in the Winnipeg district and when he got his plant all ready to go he found that outside of the cabbage he got through the agricultural supplies board who helped him to finance and get the cabbage, as soon as that surplus was picked up the market went right up and some fresh cabbage was shipped to Vancouver and to other points. His supplies were insufficient to enable him to operate his plant.

Q. Then you say payments are made from letters of credit from the British authorities; I was just going to ask if any of these last two years' purchases were applied under the billion dollar grant?—A. I cannot tell you, I do not know the inside workings of the financial arrangement at all; all I do know is that the first year the credits did come from the commercial banks and they had their cables from correspondents in London; for instance, the Royal got it from their Royal Bank branch in London, and some other banks would get it from their correspondents over there—all I know is that I went to the bank and came back with a cheque. Now, the Bank of Canada handles the cables from London, and they will not pay out unless they have certain documents. We get copies of the letters of credit, but as to how the internal workings of the financial problem are arranged, I do not know. I think it is all charged up as far as the billion dollars goes.

Q. I understand the board pay the prices for these commodities at seaboard?—A. Yes, but the British pay the ocean freight. As I said, they reimburse us for the freight we pay from the manufacturers' plant to seaboard on dehydrated vegetables.

By Mr. Donnelly:

Q. Is the freight paid from the dehydration plant to seaboard?—A. With respect to the dehydration plants we pay their freight across the country, and they have agreed to reimburse us for that expenditure.

By Mr. Senn:

Q. There is one more question I would like to ask; you were talking about canned apples, there is practically no demand for them at the moment?—

A. There is a demand for them but there is no tin for them.

Q. There is no tin for them?—A. They are putting up some of them, Mr. Senn, for the Canadian armed forces.

Q. I know that prior to the war they were quite agreeable to getting this new way of handling apples?—A. That is right.

Q. The thought in my mind is this, I was wondering whether there is going to be a demand for that sort of thing after the war.—A. I think canned apples will come back. I do not think there is any question about that. Of course, evaporated apples as they are now being put up are superior to what we had on the market a few years ago. There has been a real demand in Canada for the product.

By Mr. Leger:

Q. Would you tell the committee what volume of potatoes went overseas in dehydrated form in 1941?—A. The only dehydrated potatoes that went over were from the 1942 crop and most of these potatoes really went forward in 1943—there was really very little went out during the closing months of 1942.

Q. Can you give us the amount?—A. The latest figure on dehydrated potatoes is 1,273,780 pounds.

Q. What are the prospects for this year?—A. They would take 3,500 long tons of dehydrated potatoes and 700 long tons of cabbage, 500 long tons of carrots and 300 long tons of turnips.

By Mr. Senn:

Q. Are the lower grades of fruits and vegetables used for dehydration?—A. Their specifications call specifically that the potatoes should be either green mountains, katahdins or netted gems—they have to be sliced.

Q. Are they taking any of the lower grades, or the best grade only?—A. If the gentleman in charge of that were here he could tell you all about it; but they have been using some of what we call No. 1 small, and similar potatoes; I think they have found them to be a very satisfactory product.

Q. What about other vegetables, cabbage and beets; do they use only No. 1?—A. It is pretty much confined to No. 1. You see, the product has to be cleaned very carefully—take onions, for instance, the onions have to be peeled and the buttons cut out and the finished product is a pure white.

By Mr. Leclerc:

Q. What would be the difference in price between the dehydrated product and the raw product, for instance, on potatoes?—A. In the case of potatoes the finished product would run somewhere between 30 and 35 cents a pound.

Q. A pound?—A. Yes; cabbage runs up higher, somewhere about 75 cents a pound—65 cents is pretty general.

Mr. DONNELLY: That would mean potatoes around 5 cents a pound.

The WITNESS: Well, I have not got that worked out.

Mr. DONNELLY: What did you say the ratio on dehydration was?

The WITNESS: With potatoes it is one pound out of seven of the fresh product.

The CHAIRMAN: Mr. Conger, I do not know anything about this process of dehydration or evaporation. I think members of the committee might be

interested in having a short statement as to how you prepare the product for either dehydration or evaporation. Take for instance apples and potatoes, what is the economical production with respect to both of these articles?

Mr. McNEVIN (*Victoria-Ontario*): Before you start on that, Mr. Chairman, I have a question which perhaps would introduce that matter.

By Mr. McNevin (Victoria-Ontario):

Q. With the process of hydration what ingredients if any in addition to moisture are removed?—A. I am afraid that I am only a poor business man who has never had that experience and so would not be able to speak technically with respect to dehydration as such. I think a man like Mr. Davis of the experimental farm or Mr. Eidt who has been equipping these plants, could give you that information much better than I could. Roughly speaking, as I watched the onions in Vernon being dehydrated—when I was not crying so much that I could not see at all—they took the onion and they washed it first and then peeled it and as I say cut the button off, then they were sliced and were put on trays on which they were weighed to be sure they had a check on the drying of a uniform weight; and then these trays are put into what they call a tunnel where they get the necessary heat; they have to be there so long, until they have been dried down to a moisture content not over 5 per cent; and then they must be sure that certain other organisms are destroyed—not the food value but certain things that would start action which would affect the colour or quality of the finished product.

Mr. DONNELLY: The dehydrated onion would not make you cry?

The WITNESS: No, the process makes one cry.

By Mr. Leclerc:

Q. In other words, suppose the farmer only got one or two cents a pound—you have to pay 35 cents to dehydrate the product?—A. No, no; the difficulty there would be to figure the cost of the machinery, the packing and everything; you see, they have to be put up in special metal packages for protection. Potatoes may be packed in bonderized metal; it is airtight, apparently, but it is not gas tight; and cannot be used for certain other products which have to be packed in gas.

By Mr. Soper:

Q. In 1939 and 1940 we had a very large surplus of dried apples in Nova Scotia. Did we get rid of all that?—A. Yes, the British took most of that at a price. There was shipping space and nobody wanted it in Canada, and we shipped a great deal of that to Great Britain.

Q. Did that price pull the dominion government out of what they had in it?—A. I would say, no.

By Mr. Evans:

Q. In negotiating the price of shipments of various products does your board act or is it the special products marketing board?—A. No, the special products board look after that end of it. You see, you have to try and arrive at a fair price to all concerned, and we do that as nearly as it is possible for human beings to judge, and in consultation with the people who have the product to sell. You must have a price that works out fairly.

By Mr. Cruickshank:

Q. You said, if I remember correctly, that the Wartime Prices and Trade Board allot districts to the plants operating?—A. No, that before we went into

the negotiations leading to the possible sale of 5,000 tons of vegetables we consulted the Wartime Prices and Trade Board to see that the taking of that much in the line of fresh vegetables off the market was not an undue amount to come from the Canadian supply.

Q. Well then I thought I understood you to say that you allotted districts to the processors; is that right; if not, who does?—A. I do not know that they would be consulted in regard to that.

Q. What I am trying to arrive at is this, according to the figure you mentioned from the 1942 crop, as I took it it was 1,273,000 tons— —A. No, pounds:

Q. Pounds, I beg your pardon; this year taking 3,500 long tons, is that correct?—A. Yes.

Q. That is approximately 7,700,000 pounds.—A. Mr. Cruickshank, the plants that are established started at the very beginning of the season. Some of the plants did not get started this year until the season was practically over—I mean the 1942 season.

Q. What I am trying to arrive at is this and I want to get it clear; the Wartime Prices and Trade Board are the ones to say if there is sufficient production available now; is that right?—A. Yes.

Q. Well, what I cannot understand is why do plants which are equipped and ready to do business, and they got their equipment to build a plant without resorting to any priorities at all, and they are already equipped and ready to work—and they are individual companies who were equipped and started with private capital—what I cannot understand is why people cannot get any of this dehydration work to do although there are thousands and thousands of tons of potatoes rotting in the fields right in that part of the country.—A. I think you will have to have someone else to answer that for you, that is not in my province.

Q. I would like to know what commissions or people are coming before us who are going to be able to tell us about that; Dean Shaw could not and the Deputy Minister could not: who can?—A. Dean Shaw is the Chairman of the board—

Mr. DONNELLY: Where is the plant?

Mr. CRUICKSHANK: That is what I would like to have—someone from the Wartime Prices and Trade Board to answer that question.

Mr. DONNELLY: Would you tell us where those plants are?

Mr. CRUICKSHANK: One is at Mission and the other Haney. Both financed entirely by private capital without any government money being put into them. They are completely equipped and ready to operate, and potatoes are rotting in the pits.

The CHAIRMAN: Do we understand that these plants are equipped to handle this dehydration for the British market?

Mr. CRUICKSHANK: Absolutely not, they were built and equipped to handle anything and everything that came along. One plant is the Berryland Fruit Farm, owned by Mr. E. M. Gilland and it is located at Haney; and there is another plant formerly of Saanich, bought by the Pacific Coast Co-operative.

By Mr. Donnelly:

Q. Did you go to that plant at Mission and the one at the other place?—A. No.

Mr. DONNELLY: When were these plants to which Mr. Cruickshank referred fitted up?

Mr. CRUICKSHANK: That is a point I am trying to get clear, Mr. Chairman. I do not want to take up the time of the committee asking the wrong officials this same question over and over again, but I do want to know what responsible

official can give us the information as to why these plants are not in operation. No one from the agricultural department that we have had so far, or from any other department, has been able to give us that information. I know the situation in my own riding, and Mr. Reid, the member for New Westminster, has also told you in the house I believe that these potatoes have rotted in the pits. Now, if we cannot get this information from anybody in the Department of Agriculture, I want to know from what official we can get it; if there is such an official I want him brought here and I want to ask him that question.

The CHAIRMAN: Apparently this is not the man to give you your answer.

Mr. CRUICKSHANK: No, he cannot answer it, and when Dean Shaw and Mr. Gardiner were here I asked them and they could not give me the answer.

The WITNESS: Well, Mr. Cruickshank, as far as I am concerned personally, I do not know, but the first I ever heard about the plant at Haney was when I saw the letter which they wrote to the department, which was only a very short time ago; and as far as I know they were remodelling their plant and arranging for the supply that was necessary. As to the plant which you spoke of at Mission, when I was in British Columbia last fall as you recall, I had an interview with Mr.—I do not remember just what his name was, it was Bevan or something like that, and he had a Mr. Malkin with him and they were discussing this agreement; as I recall it the plant was not then in Canada, and I said in the first place before they went very far they better be sure that they could bring such a plant in from the United States because I happened to know that they wanted every bit of that equipment over there and they were very anxious to keep anything they had that would do that kind of work. The second point was this, that they wanted to get a supply of oil, to change over to oil instead of coal that they had been using and there was not much chance of doing that. So, early in March when we wrote to the plants that were equipped for this purpose to find out what they were prepared to manufacture or what they wished to manufacture, and I wrote—I cannot think of the name, I think it was Pacific Coast something—

Mr. CRUICKSHANK: Pacific Coast Cooperative.

The WITNESS: No, the Pacific Coast Packers I think it was, and Mr. Malkin was the man behind that—

Mr. CRUICKSHANK: That man Malkin is nothing but a promoter.

The WITNESS: I wrote and he never answered the letter until comparatively recently when I got a letter from Mr. Shimek stating that he expected to go ahead with it. In my reply I told him what would be necessary for him to do and I have never heard from Mr. Shimek from that day to this.

Mr. CRUICKSHANK: I never heard of Malkin or Bevan, they are new names to me.

The WITNESS: Then, I believe, Mr. Shimek said afterwards Mr. Malkin was not in the deal but that Mr. Percy, who had originally interested Malkin and Bevan, had then come to him with his proposition.

By Mr. Fair:

Q. What has been the experience with regard to the use of the dehydrated product in army camps, potatoes particularly; have they had any waste or complaints?—A. We have not had any complaints. All I can say is that we are in a tough position with potatoes and some vegetables right now which they would especially like to buy, which they want and which we haven't got; so we have no complaints, they just ask us for more.

Q. My reason for asking this question is that I was told not many days ago that in some of the camps the potatoes contained so much lime or some other material that they just could not eat them and they were thrown out on

the dump. I do not know whether that is so or not.—A. I think if there were any trouble in an army camp with a dehydrated product the trouble would be with the cook. I might tell you that just a few days ago the wife cooked a sample of dehydrated potatoes that came in and I defy anyone here to tell the difference between the dehydrated and the fresh product when they were mashed.

By Mr. Donnelly:

Q. The dehydrated product retains all its vitamin qualities?—A. Yes.

Q. None of the vitamins are taken out in processing?—A. They claim not.

Mr. CRUICKSHANK: I would like to say one word further about the question I raised, Mr. Chairman; are we going to have an official of the Wartime Prices and Trade Board concerned with dehydration come before us or not? Apparently none of the people in the Department of Agriculture know anything about the product, apparently they just know about certain contracts. Is there going to be any other official before us who can give us that information?

The WITNESS: We would know about certain actual products. They would have the say possibly about the supply position in a particular neighbourhood. They might express an opinion about that.

Mr. CRUICKSHANK: All right, would that official be before us?

The CHAIRMAN: You mean, from the Wartime Prices and Trade Board?

Mr. CRUICKSHANK: Yes.

The CHAIRMAN: I thought that matter was settled as by the reference recommended a few days ago. As I interpreted we would not be calling on anybody from the Wartime Prices and Trade Board.

Mr. CRUICKSHANK: That is not my understanding, Mr. Chairman. My understanding was that for one reason or another—and we might as well have this point cleared up right now—for some reason or another—in my opinion there was no authority for it whatever—the motion was not submitted to the house but it came before us the other day. As I understood it, and from other members of the committee, the minister himself gave assurance that the Wartime Prices officials would be available.

Mr. SOPER: If necessary.

Mr. CRUICKSHANK: If necessary; that was my understanding, and I want that point cleared up right now.

Mr. WRIGHT: Certainly that was the understanding of the steering committee, that if the committee found it necessary to call these other men from the Wartime Prices and Trade Board to get certain information that we would have that authority.

The CHAIRMAN: I think perhaps that is correct. As I recall it the question was as to procedure, and that we would hear from the people responsible for the administration of these various marketing agencies such as Mr. Conger who is here this morning; and that when we had secured all the information they had to give us if they had not satisfied the committee then we might proceed to take other steps to get specific answers to the questions involved. That is my understanding of the situation.

Mr. McNEVIN (*Victoria, Ontario*): My understanding of it was this, that if the committee felt after a presentation of these various questions to the committee that they wished to have some more information then the question as to whether or not the officials of some other branch of the service would be called would be a matter that could be referred to the committee for decision; but the minister, or the chairman, or anyone else gave no definite statement as to what would happen. The matter was left for the committee to decide.

The CHAIRMAN: Well now, gentlemen, I think we should not lose the opportunity of getting all the information we can from Mr. Conger, and the others who will be discussing this matter before us; and then, at a later stage, if it is necessary, we could consider getting this other information. For the present I think we should continue our discussion with Mr. Conger.

By Mr. Leger:

Q. Can Mr. Conger tell us how long potatoes will keep in dehydrated form?—A. Our scientific men do not know definitely. It depends on the temperature, if they were shipped to say the Mediterranean where it is pretty warm certain things are likely to happen which if they were kept in a cooler climate would not happen. They have no conclusive information on that.

The CHAIRMAN: On that point, Mr. Leger, I think it is the intention of the committee to call before it someone who has practical and scientific knowledge on the subject of dehydration, and perhaps that information could be given to the committee at that time.

By Mr. Leger:

Q. Well then, might I ask Mr. Conger another question. I understand that the Department of Agriculture have assisted some dehydration plants through the supplying of machinery?—A. Again, that was the Agricultural Supplies Board. They put some machinery in—I am not posing as an authority on this—but they put some machinery in, but the government still own it.

Q. Is the government prepared to assist others who would like to start dehydration plants?—A. I could not say, I do not suppose they would unless there was a demand for the product.

Q. I see.—A. If I were a manufacturer, I do not think I would go in for it. The specifications are very, very tight, and if you manufacture the stuff say when the weather is bad, or if you just don't manufacture it right, you own the stuff, not the government; and it runs into money very fast. I don't think it is a gold mine at all.

By Mr. McNevin (Victoria-Ontario):

Q. If I remember correctly, you indicated a price per pound of potatoes dehydrated of 35 cents?—A. Yes, but I was dealing with it from the standpoint of the finished product.

Q. It would depend on the price paid for the raw product?—A. Entirely.

Q. I wonder if there is any way of making a comparison between that price of 35 cents and the price of the product; what would that represent in the way of price per bushel or bag for the raw product?—A. If Mr. Hatfield were here he could give you that information. I cannot give you the figure. I think they were paying the current market price—I forget how much that was, although I remember having seen the figure.

Q. Well, my mental arithmetic may not be correct, but I would take it that approximately 8½ pounds of the finished product would be needed; that is, taking a bushel of potatoes and applying the ratio you indicated of one to seven.—A. And the dehydration process is very expensive.

Q. Yes.—A. For instance, it varies in different things—but the British paid last year, on the basis that I know definitely, the cost of these onions—the price was \$78 for the dehydration of a short ton of fresh onions.

Q. I assume that it is an expensive operation as far as that is concerned; but this ratio of one to seven represents the potato?—A. Yes, the potato. That is the figures that was given to me as indicating the ratio of fresh potatoes and the dehydrated product, taking the fresh potatoes as they come in.

Q. Because that would represent, that 35 cents a pound approximately, a price ranging between \$2.95 and \$3 a bushel.—A. Oh well, you know the dehydration process is very expensive.

Q. I know there is a considerable cost item that comes in there.—A. Yes, it is a very expensive process.

Q. My reaction to the proposition is this, that in shipments overseas there will be a great saving in freight.—A. Oh yes.

Q. And there also might be a substantial advantage coming from the freight standpoint—and those are most important things to remember. Personally I do not see why, instead of following out this process they do not use more of the fresh product.—A. What I want you to keep in mind about potatoes is this, the British use them entirely for the armed forces. They are not being used by civilians to-day at all. And my personal opinion is that every man who has a plant of this kind on his hands now, when the war is over is going to find that he has something of a white elephant on his hands.

By Mr. Rickard:

Q. If there were space available would the British Ministry of Food prefer fresh potatoes to the dehydrated product?—A. That is a factor which does not enter into the question at all. They want the dehydrated product for army, navy and air force use, for special purposes.

Q. But they would prefer the raw product if they could get it?—A. No, they do not say so, they want the dehydrated product.

Q. Not for the army?—A. Well, according to the advertisements appearing in the newspapers over there they are asking people to eat more potatoes, to eat them two and three times a day.

Q. But, if the shipping space were available would they not prefer the raw product?—A. That would not answer their purpose. I would say this, that with most of these commodities if you tried to supply the army in the field with them fresh you would have a pretty tough time of it.

Q. Yes, but we have exported many millions of barrels of apples.—A. But then there was plenty of ocean space available to take them.

Q. It doesn't sound right to me.—A. It is a matter of what they want and why they want it.

By Mr. Evans:

Q. Could it be possible for us to get from the experimental farm someone to outline the operation of dehydration plants for us?—A. I would say that if you want technical informaton in regard to dehydration you might have Mr. M. B. Davis, the dominion horticulturist, or Mr. C. C. Eidt; or some of the men who are directly concerned with the construction and operation of these units.

By Mr. Golding:

Q. With regard to dehydration, you have been speaking about the plants already established. The point raised by Mr. Cruickshank is a point which I think should be cleared up. You say you do not anticipate any trouble in getting your requirements. But you have a situation there where you have potatoes that you cannot dispose of and you have facilities for dehydration of these potatoes which are not being used. I think somebody should be able to give us the answer to that.—A. The function of the Special Products Board is to secure the required product and it can only spend the money that is put to its credit by the buyer. Your problem seems to be one for the Agricultural Supplies Board.

Q. Well, let us get this matter cleared up first. Is there anyone in your department who can give us full information in regard to the whole situation, as to where the potatoes are located and where the plants are?—A. I will give you that.

Q. We have this situation, the point has been brought up by Mr. Cruickshank; now, that is a fact, we take his word for that, there are potatoes there that they cannot use, that are rotting; I think we should have somebody to tell us what can be done with them.—A. I am not disputing anybody's statement, but it is a fact that even last fall I know when I was in Vancouver they were moving quantities of potatoes from Alberta and the other provinces into Vancouver; that they were in short supply. Now, I do not know how many spoiled, but I do know they were coming in because our inspectors in Vancouver gave me the figures. I think at that time there were around 70 cars at the end of October which moved in, and apparently there was a short supply.

Mr. CRUICKSHANK: Mr. Chairman, allow me to interrupt to keep the record straight, because that is all on record here. I think I am entitled to take a little time irrespective of party. I happen to be the only member from British Columbia on this committee. Mr. Conger's information is not correct. It is quite true potatoes were brought in from Alberta last year. I am going to tell you why they were brought in. Mr. Conger can check this on the records of this Imperial board that we cannot get before us. The Wartime Prices and Trade Board set a price on potatoes in British Columbia that the potato growers of that province, who were organized, could not produce, for the farmers out there are well organized like the grain growers and other farmers, and they refused to sell their potatoes at that price. I do not want to quote prices, but I have them upstairs and what I am giving now is from memory. At that time a very influential man of the Wartime Prices and Trade Board said to Safeways that potatoes were imported from Alberta for over two years. Potatoes were only imported from Alberta to British Columbia in any quantity a comparatively short time ago, and three years ago we exported potatoes to Bermuda from British Columbia. On my own farm, one year, after paying storage, I paid 25 cents a ton to dump 100 tons of potatoes into the Fraser river. No department can tell me we cannot and are not producing potatoes. I admit potatoes were imported into the province last year, and the reason for that was this: a member over here in the holy of holies set a price on potatoes in the province of British Columbia that the farmers could not afford to sell at. For instance, they set a price for the Fraser valley and New Westminster lower than that for the potatoes of Kamloops and Saskatchewan, and lower than that for the province of Alberta. I do not want to get into a discussion here with respect to the quality of the potatoes of Alberta and British Columbia, but I want the record kept clear. That is the reason potatoes were brought in, and at the same time our Sumas, Delta and Chilliwack potatoes rotted. I am making a statement definitely that there is a plant available. This plant has gone so far as to import seed potatoes at their own expense from New Brunswick. We admit you grow good potatoes in New Brunswick. We have imported many carloads of potatoes from the maritimes into British Columbia this year for seeding purposes, but we were limited, if I remember correctly, to 8 potato diggers—I have the figures upstairs. I took it up with Mr. Gardiner and the British Columbia allotment was 8. They had agreed then they would increase the amount of material available to us by releasing certain of the 1942 allotment and then the expected allotment for 1943. We have gone ahead and induced our growers to use the berry lands, which the Department of Agriculture ought to be interested in. There are hundreds of acres of it which the Japanese farmers had under cultivation and which is now lying vacant as far as berries are concerned. The canneries have advanced the money to buy the seed and put that land into a potato crop this year rather than let it stand idle. Here is a point the members of the committee should remember. That land is being held, rightly so, in abeyance for the returned soldiers coming back. Is it not better that that land should be kept under cultivation by producing potatoes, with a plant available to dehydrate it, or should it be allowed to go

wild for the boys coming back, simply because some fellow in the Wartime Prices and Trade Board was apparently afraid to appear before this committee, knowing nothing about farming, who said we cannot have it? He says that this plant that is there will be a white elephant after the war. I may be permitted to say I agree with that, but I want to point out the witness' own statement that the equipment of all these plants belongs to the people of Canada and is not a white elephant to the individual owner.

The WITNESS: No.

Mr. CRUICKSHANK: Just a minute, I will be corrected now if I am wrong on that point.

The WITNESS: I think the individual amount of some particular equipment would be a very small proportion, something like \$3,000, as I understand it. In some plants I think the amounts spent are something like \$12,000 or \$13,000 or \$14,000, but that plant itself and the bulk—

Mr. CRUICKSHANK: They got \$11,000 at Vernon to get the equipment in, to start with. They have been in this line of business for a great many years. I am not saying it is not a white elephant to Mr. Bulman and Mr. Hatfield. Mr. Bulman is the man who got the \$11,000 to start with. He has been in that line of business, and if it is a white elephant it will be a white elephant at their own expense. It was said that the Wartime Prices and Trade Board would give priority to encourage the production of good maritime seed potatoes; but yet they are told, or I am informed, in spite of the fact that last year we produced in the whole country 1,273,780 pounds and this year we estimate 7,700,000 pounds, the plant is not to be utilized and the only excuse that has been offered to me is that we have not definitely proved we would have a surplus of potatoes.

Mr. Chairman, have you any surplus of potatoes in Ontario to-day when you are bringing in carload lots from Saskatchewan to Ontario? Is there no definite deficiency here? The Lethbridge plant, according to the admission of Dean Shaw, does not know whether it is going to produce those vegetables or not; yet there is no deficiency there.

Mr. GOLDING: I wonder if Mr. Cruickshank could tell us now what price the Wartime Prices and Trade Board set for seed potatoes last year; what was the price?

Mr. CRUICKSHANK: I have that upstairs; I am speaking from memory now, \$44 or \$45, that is for eating, not seed.

Mr. DONNELLY: Can you tell the committee whether the potatoes that were brought in from Alberta were sold above your price by the Safeways people?

Mr. CRUICKSHANK: No, in some cases the price was set and our information was the price was set to the retailer. The Alberta ceiling was higher than ours. We paid in the retail stores, the Safeways own stores, as high as \$70 a ton. Safeways is a chain store and they were prepared to assume the loss in order to satisfy their customers. I have no quarrel with that.

Mr. GOLDING: Did you say you dumped a hundred tons?

Mr. CRUICKSHANK: Not last year, some years ago. I did not grow any potatoes last year. I did not personally dump them. The potatoes were rotting on Lulu island last year. I will admit that they could have been sold and prevented the Alberta potatoes coming in, but the farmers for months stood on their hind legs and refused to be dictated to, and I think every member here agrees with them when they said they would not sell below the cost of production.

Mr. LEGER: Did I understand that the equipment for the dehydration plant to dehydrate potatoes was refused by the government?

Mr. CRUICKSHANK: I have the letter right here—no, it is upstairs, I am sorry.

Mr. SENN: Can you say what Safeways paid for these Alberta potatoes?

Mr. CRUICKSHANK: No, I could not say.

Mr. SENN: Would it be lower than the price you were offering?

Mr. CRUICKSHANK: I presume the Wartime Prices and Trade Board set the price for Alberta too.

Mr. SENN: They were bringing in carload lots?

Mr. CRUICKSHANK: Yes.

Mr. SENN: Would they sell them for less or buy them for less than you were offering?

Mr. CRUICKSHANK: No, the Wartime Prices and Trade Board set a price that was higher than what they were being allowed to pay in Vancouver island or the Fraser valley. They set the price. We are assuming that Safeways assumed the loss in order to satisfy their customers, which I have no quarrel with. That is their business. Mr. Gilland of the Berryland Fruit Association, who is the sole owner of the building I am referring to, runs a dairy farm in connection with his plant and has been in the canning business for years. The last information I got from the department was to the effect they were considering giving him an order if his plant passed inspection of the government. That is the plant that Mr. Shaw did not have the particulars of the other day. That plant was passed some time ago by the dominion government man, Mr. Atkinson, with a proviso, and the proviso was that the provincial government give them a guarantee that it would not be a deficiency area in British Columbia. Now, you know something about the weather in the east this year and you know no department could possibly give a guarantee as to what a crop is going to be.

The CHAIRMAN: I do not know where we can get to in a discussion of this kind, but we have not got the information before us. No doubt Mr. Cruickshank has some cause to complain in this matter from what he has said, but without having all the correspondence and documents before the committee I do not think the committee can arrive at any conclusion. What is the pleasure of the committee?

Mr. CRUICKSHANK: I have the same right as any other member here. Why am I called upon to produce correspondence when nobody has ever produced any correspondence here?

The CHAIRMAN: I do not know.

Mr. DONNELLY: The committee is entitled to know where the plant is and who the men are who are running it and so on.

Mr. CRUICKSHANK: I just gave all that information.

The CHAIRMAN: Who are in charge?

Mr. CRUICKSHANK: I think the president and sole owner is Mr. E. M. Gilland. I am not giving his children's names because I do not know them. I told how the contract stands to-day, under the signature of the chairman of the marketing board as transmitted to me by the Minister of Agriculture; they say they will consider giving him an order if his plant passes federal inspection. We have no quarrel with that. Mr. Atkinson of the Summerland Experimental Farm who passes on every plant in the west has given his approval, but the second consideration was, would the provincial authorities give a guarantee that there would be no deficiency of potatoes. He is interested in the shortage in the province of British Columbia. Now, Mr. Chairman, I should like to say to you, as a practical farmer, and to the members of the Committee on Agriculture who know particularly the weather conditions we have had in the east this year,

that nobody in authority, I do not care how scientific he may be, from any agricultural department can give a guarantee like that. You all know that. I want to know why we cannot have this contract, if the Department of Agriculture are willing to assume the responsibility if we cannot produce—I do not say we can—if we cannot produce 7,700,000 pounds of evaporated potatoes, dehydrated potatoes this year. They know we cannot give that guarantee. I should like to know if they will say, if there is a surplus of potatoes rotting in the province of British Columbia this year, who is going to pay for them. That is all I am interested in.

Mr. GOLDING: The plant that you speak of, was it established last year?

The WITNESS: No.

Mr. CRUICKSHANK: It was established, but not as a dehydrating plant.

By Mr. Wright:

Q. May I ask you a question with respect to the ownership of these plants? You said that they were privately owned and later on, I believe in answer to a question by Mr. Cruickshank—at least that is the way I interpreted it—you said there was certain machinery in these plants that the government had paid for.—A. There is a certain amount of machinery, certain types of machinery they got and they have it there, but it is still owned by the government.

Q. For the operation of the dehydration plants?—A. I have nothing whatever to do with it, it is the agricultural supplies board.

Mr. LEGER: Mr. Gardiner gave us that the other day.

The WITNESS: I want to make this clear, as far as Mr. Cruickshank's remarks are concerned, I have had no correspondence or anything else in regard to this particular plant; I think the correspondence has all been through Mr. Shaw and the minister.

Mr. CRUICKSHANK: That is correct.

The WITNESS: As far as I am concerned if I were instructed to close a contract on this berry land then I would come into the picture to close the contract; it is not my problem to say where it should be.

Mr. SENN: We understand that.

The CHAIRMAN: I do not want to leave this thing uncertain. If Mr. Cruickshank wants us to consider this again perhaps we can get Dean Shaw back here to discuss the matter with respect to that particular question that he has brought up. I do not think we can go any further into it at the moment.

The WITNESS: He is the only man who can give the information from the Department of Agriculture that you want.

Mr. CRUICKSHANK: I will be perfectly satisfied with that.

The CHAIRMAN: May we go on? I notice you have included in this amount here the question of beans. Many Ontario members in particular have mentioned beans at different times. I was wondering if there was any information desired with respect to that item.

Mr. TUSTIN: I should like to ask two or three questions with regard to tomatoes. In 1941 we shipped 300,000 cases of tomatoes. Did I understand you to say in 1942 there were none at all?

The WITNESS: There were none shipped.

By Mr. Tustin:

Q. And again this year there were none?—A. No sign of any at all.

Mr. GOLDING: I come from a bean-growing district and I happen to be in one county that produces quite a lot of beans. May I say that the farmers in

that district are now familiar with the situation and they have had the information in time to get the beans planted. We have exported over 2,000,000 bushels of beans in a year from that district.

The WITNESS: I am glad Mr. Golding brought that point out because when I gave you the figures I gave you the quantity of beans that were to be shipped and I did not include beans purchased by the British from the 1941 crop as they did not go through the special products board. The bean contract for the 1941 crop was made direct with a certain shipper in the bean-growing area and the British purchased 10,000 tons of Canadian dried beans and some of them are still in the country, but they will be moved. This time their purchase of beans is being made from the special products board.

Mr. GOLDING: I would imagine, Mr. Chairman, with the season as it is now, the beans coming on later than the spring crop, it will assist in the production of beans this year if the farmers get favourable weather.

The WITNESS: That is what we hope. We practically completed a contract with the British for up to 40,000 long tons, depending upon the crop and the Canadian supply situation, at a price in the neighbourhood of \$2.90 a bushel f.o.b. shipping point, which would net the grower \$2.50 a bushel on the basis of No. 1 beans.

Mr. GOLDING: The bean growers have a very good organization known as the Bean Growers' Association, and they have spread the news, I know it is all over.

The WITNESS: I am glad to hear that.

The CHAIRMAN: Are there any further questions to ask Mr. Conger?

By Mr. Clark:

Q. I believe one of the problems has been the British Food Ministry does not advise you about their requirements when they should so that you can plan production. Have they this year advised you in plenty of time to plan production as you would like to? I know a couple of years ago they came over and wanted tomatoes the last week of June and the first of July. It is impossible for a grower or a cannery or anyone to plan production when they come that late. Now, are they giving you the information in time so your production can be planned?—A. Yes, Mr. Clark, there is a big improvement. I willingly admit that on some things we were always at sea to know what they wanted, and what they did not want. The first thing was, well, the onions last year. They told me about it and I got them planted in plenty of time. On dehydration we would have had far more out of last year's crop had we known in time—perhaps it was just as well, seeing the shortage of potatoes, we did not know. But this year we know about the beans, and we do know about these dehydrated products. A lot of publicity has been given to it; and at the time conference was on we asked for an increased production of potatoes of 11 per cent. There has been a decided improvement.

By Mr. Senn:

Q. Did I understand you to say that you knew about the beans in plenty of time?—A. Yes, the bean negotiations have been going on for some little time. It takes time to get them approved, and I think the minister announced the price of \$2.50 somewhere about two months ago. The agricultural supplies board brought in representative bean growers from the Chatham area. They selected their own representatives, and the shippers sent in some of their own people so the matter could be thoroughly discussed as to what price would bring the necessary production.

By Mr. Evans:

Q. In shipping the various fruits we have three parts in Canada that produce most of it; that is, the maritimes, Ontario and British Columbia—can you give us a breakdown on the quantities of products shipped from each of the provinces?—A. The berries all came from British Columbia. As you know, in Ontario the berry situation was short; and they bring in a great many of their berries, in SO₂ and in 2 plus 1 and the three plus one from British Columbia.

Mr. CRUICKSHANK: British Columbia could not supply many last year.

The WITNESS: No. And, we could have used almost unlimited quantities of strawberries from British Columbia, but the Japanese were moved out and there were a great many farms not being operated, so we fell short. In 1942 our shipments amounted to 529 tons. This year the British would have taken berries again but the situation was hopeless, they might take some other products—later on; but there again it depends on the crop, and they say no at the present time as regards plums and prunes.

By Mr. Cruickshank:

Q. Is Mr. O'Meara still your representative in British Columbia?—A. Mr. O'Meara is not definitely working on dehydration.

Q. No, but he still works for the department does he not?—A. He was looking after the shipment of the production out there; that is, as far as the SO₂ products are concerned.

Q. He is still there, is he?—A. Well, we give the provincial department a very small sum each month, which leaves us free to use him if we need him; but the amount is not very much, it was more when there were more negotiations to carry on.

The CHAIRMAN: Well then, if there are no further questions from Mr. Conger, we will just say: we are very much indebted to you, Mr. Conger, for your consideration in coming before the committee this morning and if we want any further information from you we will call you again.

We also have with us this morning, Mr. W. A. Brown, of the poultry division; and if the committee is agreeable, I think we should have Mr. Brown at least commence his statement. If we do not finish with him he can return again at another meeting. Is that agreeable to the committee?

Some Hon. MEMBERS: Agreed

The CHAIRMAN: Mr. Brown, the committee would be glad if you would deal with the activities of your particular branch of the service.

Mr. W. A. BROWN, Chief of the Poultry Products Division of the Special Products Board, called.

The WITNESS: Mr. Chairman and gentlemen: A Poultry Board was first requested by the Ministry of Food in January of 1940, about the time the dairy board was organized. Nothing materialized, however, for over a year, until the Special Products Board was formed in April of 1941. The reason for the delay may have some special interest to the agricultural committee, having in mind that hardy perennial, egg grading and egg regulations, which were discussed on different occasions a number of years ago. The reason for delay in setting up a Poultry Board was that the Canadian government and the British government could not agree on the methods of payment. During the fifteen years previous to the war eggs and poultry shipped for export to Great Britain had been sold on a c.i.f. basis with payments against documents at the banks in Canada; as soon as a through bill of lading and a certificate of inspection was produced: in other words, anybody who shipped his eggs from a western Canadian point took his through bill of lading and his inspection certificate into the bank at

Saskatoon, Moose Jaw, Winnipeg or elsewhere and got his money for that car actually before the car had moved from his own siding, providing it had been sealed and the freight bills released. That was an achievement that grew out of the confidence developed in the Canadian government's certificate of inspection as to grade and quality of eggs and poultry for export. The British Ministry of Food had been accustomed to buying bacon and other things on a consignment or partial payment basis and insisted on buying eggs in the same way.

An inspection was made by them on the other side and a portion of the payments held back until the eggs had been examined. That was not a very satisfactory method of doing businesses after the system of prewar days had been built up. In the interval before the Special Products Board was set up business was continued under an arrangement whereby settlement was made through established agencies of Canadian shippers on the other side; I thought in the light of earlier discussions that that might be of interest to the committee; that it was possible to devise a system of export sale based on standards based on inspection whereby a shipper got money for his export product quicker in this country than if he were shipping eggs from western Canada down to the market in eastern Canada.

By Mr. Senn:

Q. Were there any complaints on the eggs after they arrived at their destination?—A. After the shipping situation got difficult in the second year of the war. No trouble was experienced in shipping the fresh eggs; except that they kept back 10 per cent of the money at first, later did get up to 90 per cent; and just before egg drying started the payment of the total amount on this side was arranged.

Our record on storage eggs was not so good. We found that we had a lot to learn about the efficient long storage of shell eggs, especially when one takes into consideration the delays at seaboard and the delays in getting through to the other side—

Q. Were there any refrigeration difficulties?—A. Not so much with Canadian as with States product—there was a large quantity of States eggs shipped through Montreal, and naturally, where they did not have as efficient a grading system behind them, in fact made shipments out of storage without grading, some confusion occurred and received adverse criticism in the newspapers at the time. The changeover from shipping in shell form to dried form has obviated any difficulties there were in shipping; and our dried product is arriving in England and giving excellent satisfaction.

Export shipments grew steadily during the early years of the war; from a million dozen in 1939, to nearly forty million dozen last year. Shipment of eggs in the shell is a bulky form of movement. The steamship companies like a certain amount of light cargo to balance the heavier commodities, and eggs were carried in the shell longer maybe for that reason than might otherwise have been the case. In the general move toward the dehydration of many products eggs were included on request of the British ministry and since last March, a year ago—all the eggs that have gone from Canada have gone in dried form.

Eggs in dried form are one of the most valuable of food products that move. The value of the average car is \$75,000. And they take up much less space than shell eggs. One carload of dried eggs is the equivalent to 6 or 7 carloads of shell eggs. I do not know that any group probably were under greater pressure than were the special products board last spring when a sudden termination of shell eggs came into effect just at the beginning of the heavy producing season.

Before the war there were three plants in Canada; two of them small, with a total capacity of about four cars of shell eggs a day. Taking care of the surplus of the three months, March, April and May, taxed the capacity and the

ingenuity of everyone in the trade, the board, the storage facilities, the driers and so on and it is surprising how out of difficulties developments will grow. The saving grace was—the storage of frozen eggs in block form. The total storage capacity for shell eggs in Canada in surplus producing areas was around 450,000 cases. The board was faced with several times that quantity. Previously the practice had been to store frozen eggs in tin pails. There was no tin available. A genius in the egg breaking trade in Winnipeg devised a form of mould, and the result was that 30 pounds of frozen eggs could be put in one of these moulds and sharp frozen in the form of bricks. It is doubtful if storage rooms were ever used more efficiently than resulted from that development. The packages were just piled up one on top of the other like you would pile bricks, making use of every bit of available space in the storage chamber, the only thing you had to do was to make sure that the floor was capable of carrying the load. The eggs were frozen there at 10 below zero, and stored at zero.

With only three egg-drying plants available the milk driers were called in to help the drying problems. They did help, but to-day only a few milk drying plants are being used. It was necessary to build five new plants, and there are nine plants in operation this year. Four of the five new plants were built in Western Canada: one in Winnipeg, one in Saskatoon, one in Edmonton and one in Calgary; and the idea was to locate these plants geographically across Canada at points where there was at least a surplus of 150,000 cases a year, the idea being to keep them operating seven days a week, 24 hours a day, the year round. There is capacity now to handle more than the maximum of this year's contract. There has been no congestion. As compared to holding 450,000 cases in storage last year at this time the board now actually holds 32,800 at the present time, and as against 12 or 13 millions of frozen, about 7,000,000 pounds of frozen are in storage at the present time. In other words, from the first of this year the drying capacity was able to keep up with the flow, with the exception of a very short time in April and May.

Last year the contracts were on a shell egg basis with Great Britain; and a supplementary contract was evolved for the conversion of these eggs into powder. An estimate was made of the cost of storage during the year, and it was very satisfactory at the end of the drying season last December to be able to turn back to the British Ministry something like \$400,000 out of the estimate that had been made; it being understood in the contract that any savings in the conversion would revert to the credit of the British Ministry of Food.

In contrast to other boards who buy only the products, the Special Products Board in eggs buys the raw product and arranges for its conversion. The contracts for 1943, however, were on a dried basis—\$1.16 a pound in barrels at seaboard. The way the 1943 contract was arrived at was to take the 1942 spring price of eggs, the previous contract price and add 2 cents to it, making it 34 cents. This was the recommendation of the producers consultative committee, named by the poultry industry committees across Canada; and after that price, 34 cents a dozen, the equivalent of 94 cents a pound in dried form to add to the cost in storage, transportation and shipment—bringing the total to \$1.16. No shipments are being made in 1943 in barrels. Two types of containers have been designed; the 14-pound container—for the army and restaurant trade in Britain; and the five-ounce package for household use.

(A sample of the container displayed to the committee.)

By Mr. Cruickshank:

Q. How many eggs would there be in that?—A. One dozen. The first car-load packaged in this manner moves from Winnipeg this week.

By Mr. Senn:

Q. You say one dozen; do you mean No. 1—there are different sizes of eggs, as you know?—A. It says on this carton, "five ounces net weight—equal to 12 eggs."

Q. I know, but there are different sizes of eggs. The Grade A large runs 24 ounces to 26 ounces a dozen, while in the Grade B or a lower grade they might be only 20 ounces a dozen. What do you do, take an average?—A. One of the virtues of this particular type of egg business is that the idiosyncrasies of the different producer flocks and the different farms are wiped out in the blending that takes place.

Q. You do not mean to say that a man would get as much for small eggs as he would for large ones.—A. No.

By Mr. Wright:

Q. What grades of eggs are in that?—A. Grades A and B of shell eggs. They are blended and go into the total product. The dried product is graded A and B, but there is a comparatively small quantity of grade B.

By Mr. Senn:

Q. Are storage eggs used at all?—A. Yes.

By Mr. Soper:

Q. What is the grade equivalent of storage eggs?—A. Storage eggs are B grade.

By Mr. Wright:

Q. Is there just one class there? From what grades of eggs do you make your A and B product; do you use grade A eggs for grade A products and B eggs for grade B products?—A. In the blending process both A and B grades of shell eggs may form the basis for A grade powder. Grade B powder is grade B because of inefficiency in conversion. Grade B may have a little higher moisture content; may not be quite as soluble; and it may not be quite as palatable—all grading is based on palatability and eating quality.

By Mr. Cruickshank:

Q. Have you any information as to what the small package sells for?—A. It sells for 1s. 9d.—that is the equivalent of 42 cents—to the consumer in Britain.

Q. And where are they sold?—A. Off the retailers' shelves in the local stores. I understand it is subsidized in part by British Ministry. But the 14-pound package goes to the restaurant and army trade. The Ministry wished us to put all our product for that trade. We argued that point, feeling that we had a good product and that Canada had a right to share in the household trade as well as in the restaurant trade; so the contract provides for about half the product to go into five-ounce packages. The 14-pound packages are corrugated boxes, about an 11-inch cube, with a kraft bag outside a bag of waxed cellophane, which is a vapour-proof material; that is filled and heat sealed so that it will stand against any ordinarily adverse temperature or moisture conditions.

By Mr. Senn:

Q. That brings up the question of its keeping qualities, the same question Mr. McNevin asked respecting the keeping qualities of dehydrated fruits and vegetables; is there anything that would spoil in that?—A. Yes, there is 42 per cent fat in this product, and that is the hazard.

Q. It would go bad?—A. It will, in the presence of moisture or high temperature. The product is cooled at the driers to 80 degrees within an hour. It is cooled immediately as it comes off the belts and it is held at 60 degrees—and moved to refrigerator cars. We give it the best possible treatment in Canada. The standards for the product have been evolved by the research council biological division; and Dr. Cook, the head of that division, in conjunction with army authorities in the United States, has made a study of the containers and specifications to be used in the hot countries—the southern Pacific, the Mediterranean, or Africa—where these products may go after the war.

Q. You mentioned restaurants and households, is any of it going to the army?—A. Oh yes; the 14-pound package goes into the army requirements. It is used for restaurants and the army requirements. The B grade goes to the baker trade. We have about 10 per cent B grade.

By Mr. Wright:

Q. Has this product been generally available as yet in Great Britain?—A. No, not the small Canadian package as such; the first car leaves Winnipeg this week. Some of the Canadian products may have been repackaged in England, but not sold as Canadian products. Those that are going forward this week are the first that will reach Britain as distinctive Canadian products in a distinctive Canadian package.

By Mr. Wright:

Q. You have no practical knowledge yet as to what its keeping qualities will be?—A. No; although it would interest you all to visit the testing rooms in the research council where all the conditions of the hold of a ship or a British retail store are set up under controlled humidity conditions. Before this type of packaging was decided upon, many types were tested under the above conditions so that now we can approach that market with confidence. The 14-pound package was described and is one of the first big movements using the Canadian national mark: that is the head and shoulders and bust of a mountie surmounted with the words "Canadian dried eggs, quality guarded, grade A". That sticker appears on the front of every 14-pound package.

By Mr. Cruickshank:

Q. How long will the package keep after it is opened?—A. A long time if one follows the instructions. Take the package which is sealed, like this one, and you cut off the top, and if you are not going to use it for a while all you do is run your thumb nail across the top and it is sealed again.

The CHAIRMAN: It operates as does a tobacco pouch.

The WITNESS: Yes. We have all the advantages of that type of container. They were studied at that time. There has been a little trouble as regards the shortage of cooking utensils in Britain, and one thing that is not good is eggs in any form that are burned in the cooking. Dried eggs are just as unpalatable when burned in the cooking as shell eggs. The consumer service at the present time is working on a little onion-skin leaflet to go in the consumer package just above the bag. It describes how to use these eggs, not a whole lot of recipes, but their use as eggs as custards and for general cooking, with suitable illustrations. One very necessary thing is that the powder be thoroughly dissolved before it is used for any purpose and well beaten.

By Mr. Leger:

Q. As scrambled eggs, for instance?—A. Yes. You must get the powder in a solution before you put it into the pan. Now the essential things that people should know when they get the package will be incorporated in that leaflet and placed in the top of the package.

Mr. CRUICKSHANK: It will be a good thing to say that they come from British Columbia.

The WITNESS: I wish they did.

The CHAIRMAN: The white and the yolks are all dried together, are they?

The WITNESS: Yes, the product is dried whole egg.

The CHAIRMAN: Now, gentlemen, it is 1 o'clock, and Mr. Brown will be prepared to continue his evidence with us, so we will adjourn until to-morrow morning.

The committee adjourned to meet Wednesday, June 23, at 11 o'clock.

can
con
A

CA1
XC12
A48

SESSION 1943)
HOUSE OF COMMONS)

Government
Publications

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

WEDNESDAY, JUNE 23, 1943

WITNESS:

Mr. W. A. Brown, Manager of the Poultry Section, Special Products Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943

JUL 9 1943

MINUTES OF PROCEEDINGS

WEDNESDAY, June 23, 1943.

The Standing Committee on Agriculture and Colonization met at 11 o'clock, a.m., the Chairman, Mr. Weir, presiding.

Members present:—Messrs. Blair, Bourget, Clark, Cloutier, Cruickshank, Dechene, Douglas (*Queens*), Dubois, Evans, Fair, Fontaine, Furniss, Golding, Gregory, Henderson, Kirk, Lafontaine, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, Mullins, Perley, Rheaume, Rickard, Ross (*Middlesex East*), Senn, Soper, Tustin, Ward, Weir, Whitman, Wright.—35.

In attendance:—Mr. W. A. Brown, Manager, Poultry Section, and Mr. R. E. Nicoll, Supervisor of Canadian Egg Drying Plants, both of the Special Products Board; Mr. J. F. Singleton, Chairman, and Dr. H. A. Derby, Secretary, Dairy Products Board.

The minutes of the last sitting held on Tuesday, June 22, were read and on motion of Mr. Blair, approved.

Mr. Brown was recalled and questioned on the drying and grading of eggs. He agreed to file supplementary information requested by members of the Committee. (See Appendix to this day's evidence).

The Chairman announced that the witness had offered to arrange for a visit to the egg drying plant in Ottawa by members of the Committee.

On motion of Mr. Blair, the Committee adjourned at 1.00 o'clock until to-morrow, Thursday, June 24th, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS

June 23, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: The committee had Mr. Brown with them yesterday discussing the egg and poultry features of the Department of Agriculture. He advises me he also has with him this morning a member of the organization who looks after the technical features in connection with drying and other preserving developments, so that if there are any questions along that line that come up we will be able to get additional advice.

I presume the committee is prepared to go on this morning with Mr. Brown; if that is agreed we will call on Mr. Brown to continue where he left off yesterday.

Mr. W. A. BROWN, Chief of the Poultry Products Division of the Special Products Board, recalled.

The WITNESS: Mr. Chairman and gentlemen, I should like to take just a few minutes to explain something of the highly technical and difficult engineering aspects of drying product like eggs.

In the first place the albumen of eggs is a very fine cultural medium for bacteria; it is actually used in the laboratories as a medium for the growth of bacteria, and all operations have to be critically controlled to keep down the incidence of bacteria. A broken egg is rather a sticky substance as well. The impingement problem in the dryer is a difficult one and practically necessitates each dryer setting up his own studied conclusions regarding airflow, air temperature, pump pressure, nozzle size, and any other factors that interfere with this sticky substance being disintegrated into the finest possible particles. If great globs get loose in the dryer and adhere to the walls, and if the temperature is wrong even fine spray will adhere to the wall, and it will cut down the yield materially.

In milk drying the powder is passed through a milk bath where the exhaust air is discharged from the dryer. There is no such facility as that in eggs and elaborate precautions have to be provided. This air is saturated with moisture and cannot be used again and is exhaust waste. The getting rid of the air and retaining the powder, which is worth over a dollar a pound, entails exacting engineering devices.

The eggs are brought in—plant drying capacities range in Canada from one car to three cars a day. It requires about 20 girl operatives to break a car of eggs in eight hours. The plants employ up to as high as 100 operatives per shift, depending on the size of the dryer and whether or not they are putting away frozen melange as well. The eggs are cooled down to lower than 40 degrees and the broken melange is never allowed to go above 45 degrees and must be dried with dispatch. Temperatures above 45 degrees and any undue holding immediately cause a rise in bacterial count that is ruinous to the product. Similarly all pipe lines, clarifiers, line filter equipment, everything which the

wet product touches must be cleansed frequently in strong disinfecting solutions. You have to be very careful and not use hot water or steam on these utensils because heat will coagulate the albumen and it sticks and is almost impossible to remove. Even wire brushes will not take it off, but will score the inside of the pipe line before it will remove the gluey albumen.

According to the size of the plant it requires an air flow of 8,000 to 18,000 cubic feet per minute, and the actual inlet temperatures vary from 270° to 310° F, depending on the type of plant. There are two main types of plants, the cone type and the box type. There are two types of box dryers, those with multiple nozzles in a horizontal line, and those as in the Merrill-Soule type, one large nozzle centred in a swirling current of air. Egg powder must be removed from the dryer continuously. If it is allowed to stand the high fat content will result in the product becoming rancid.

The big engineering problem is the removal of the dust in the air, and some very ingenious and worthwhile apparatuses have been devised for that purpose. Powder comes out of the dryer at a temperature about 135 degrees. Handling facilities which will avoid the inclusion of any moisture in the product are very important. The egg powder must come down to 80 degrees, as soon as possible after it comes out of the dryer, and stored in a temperature of 60 degrees.

Last year when the job of egg drying developed so suddenly no one knew a great deal about it. With the help of the National Research Council and with an opportunity of seeing the best equipment in operation that had been developed on this continent, it has been possible to devise and place in operation in Canada the most uniform and the most highly developed system of egg drying anywhere in the world. To attain that end the National Research Council built their own dryer and out of technical engineering experience gained from that operation a remarkable uniformity of product has been possible. The specifications for operation have been set down in board requirements, and apply to all breaking and drying operations in Canada. The critical standard for A grade powder is giving Canada something that she may well be proud.

I said yesterday that the Special Products Board purchases the raw product as well as the finished product. This grew out of the fact that the earlier contracts were for shell eggs and the change from shell to the dried product took place in the middle of the contract year. A producer consultative committee and a trade consultative committee were named shortly after operations commenced; and before any contract is entered into these two groups are brought into consultation. Within the next two or three weeks the basis for next year's contract will be under discussion.

You would be interested in the methods of payment. The shell egg cars are bought at a contract price f.o.b. seaboard, and a price list is published monthly or whenever any change is required. That price list gives a price for all exporting shipping points in Canada and also a delivered price for dryers in that immediate vicinity, two dryers for each shipping point.

There was considerable delay in payments last year because the shippers paid the freight and there are often errors in freight bills and by the time the rate clerks have found those errors and got them traced back through the local freight station and the audit departments of the railways, sometimes two or three months elapsed before the shipper was paid for his car of eggs. This year by establishing a delivered price at each two dryers adjacent to every shipping point, the clerks in the treasury office simply take the invoices and the price lists and if they coincide it greatly facilitates payment, so much so that invoices are rarely held longer than twenty-four or thirty-six hours at Ottawa.

The most interesting development in the price situation, however, took place with the dryers themselves. Last year everything was on a conversion basis, 15 cents a pound. This year the driers are paid according to grade, 15 cents a

pound for A grade and 10 cents a pound for B grade. Last year the eggs were simply turned over to the dryers and they converted them into powder. Volume turnover was the big consideration. This year yield is the first consideration. In eastern Canada driers are paid the price per pound up to a yield of 10·75 pounds per case, between 10·75 and 11 pounds per case they are only paid the conversion charge. Over 11 pounds they revert to a poundage basis.

Last year the dryers were only paid for converting the eggs into powder; this year they are debited with the eggs by the board and paid for the powder on the yield basis as indicated. The result is, instead of getting a little over 10 pounds, as was the case last year, the board is going to get 11 pounds or a little better on the average from all dryers per case of eggs this year; while the introduction of this new system was a little difficult at first, once it was understood and appreciated, it has been entered into with a zest, by those concerned, of which all may be proud.

The CHAIRMAN: I am sure that is a very interesting story. I presume a good many of the members have some questions they would like to ask Mr. Brown.

By Mr. Senn:

Q. I should like to ask if there is any poultry going to the old land and if so have you charge of that or how is it done?—A. There is no poultry going to Britain at the present time. Contracts were almost completed on two or three occasions for canned poultry.

Q. We had quite a substantial trade with the old country at one time, did we not?—A. Previous to the war the export trade for dressed poultry was second only to bacon in meat products and gave great promise of development. We are in almost monthly touch with several of the British importers wanting to keep in line with all the new developments in Canada and possible connections after the war. The reason that canned poultry has not been pressed more lately is because, with the general meat situation, all poultry meats have been at ceiling prices since the first of the year.

*Q. How is our supply?—Is it sufficient at the moment, for domestic consumption?—A. No. We are short of poultry meat. It is pressing the ceiling hard.

By the Chairman:

Q. Mr. Brown, the first contract was for shelled eggs, and shipping difficulties made it almost impossible to deliver those. Was it from that situation that the development of this powdered egg product was undertaken? Did the British government ask you to attempt this, or was this one of your developments here?—A. No. It was done at the express request of the British Ministry of Food.

Q. I was going to ask a further question on this matter. What about the shells which are taken off the eggs? Is there any market or any use for those?—A. That is one article which at the moment requires more salesmanship than it has been getting. Oyster shell at the moment has become short in Canada through the embargo movement through the States. Most of our oyster shell previously came from the mouth of the Mississippi river. Lime stone grit will take the place of oyster shell, but some of us think that egg shell, prepared and put up bacteria-free, free from possible disease contagion, ought to be one of the most easily assimilated sources of lime that could be found. At the moment there is just one plant in Canada which is putting up this product, in Winnipeg. They will have several thousand tons—it costs \$8 to \$10 a ton at Winnipeg. That will be available. There is about 20,000 tons of egg shell however available for drying in Canada annually; in addition to the lime content, there is about

half a pound of albumen that does not separate from the egg membranes when broken. With eggs at 40 degrees, the albumen is cold and adhesive. There is that proportion of protein that would be available with this egg shell, along with the egg membranes and such other mineral constituents as are in the shell in addition to the lime.

By Mr. Senn:

Q. That is used for poultry grit, is it?—A. Yes. That is the idea. Or for hog feeding and feeding of other animals; anything that requires lime.

By Mr. Evans:

Q. Were there any eggs being dried prior to your undertaking it for the British Ministry of Food?—A. A limited quantity. There were in Canada three egg plants before export development. They dried no whole eggs. It was all separated into yokes and albumen. The yokes used were dried by the spray drying process and used for mayonnaise; the albumen was dried in pans and used for ice cream, soft-centered candies and the like. There was quite a demand for dried eggs for specially prepared flours also. Since the war a limited development, a limited manufacture has continued, and at the present time a certain quantity is being released to the Department of Munitions and Supply and for contractors, in connection with the war effort.

By Mr. Fair:

Q. How many egg-drying plants have we in Canada, and where are they located?—A. There are nine: one each in Ottawa, Trenton, Toronto, Belmont in Ontario, two in Winnipeg, one in Saskatoon, one each in Calgary and Edmonton.

By Mr. Cruickshank:

Q. What is the minimum amount of eggs required to operate a plant?—A. 150,000 cases.

By the Chairman:

Q. For what period?—A. Twelve months.

By Mr. Cruickshank:

Q. That is a day?—A. No, per year; twelve months.

Q. For a year?—A. Yes.

Q. What does that work out to in cars? I was told about a car a day.—A. About a car a day.

Q. What is the approximate cost of establishing a plant? I do not mean the building, but the dryers and that sort of thing.—A. Complete, building and all, \$100,000 to \$200,000 depending upon capacity of which the building would be \$20,000 to \$40,000. A dryer is a pretty big piece of equipment. The largest one is 45 to 50 feet in height and 22 or 25 feet in diameter. It requires four storeys of a building to accommodate it.

By Mr. Blair:

Q. Is it possible to have the eggs broken and put into a melange and the melange shipped in cold storage to the dryer? The cost of sending the boxes to the dryer, raving the boxes and shipping the empty boxes back again involves a considerable expense. I wondered if it was possible in the egg centres to break the eggs, put them in cans in cold storage and ship them to the dryers so as to save freight on the boxes to and from the dryer and to save the charge of

revamping the boxes?—A. Yes, Mr. Blair; that is practically what is done. Under 100 miles I doubt if it would pay. You can get quick return of the cases. The cost of a breaking establishment including refrigeration and the equipment to do the job in a sanitary way, would preclude one being built for instance, at every grading station. The whole plan of operations is to move eggs as short a distance as possible in the shell. Move them frozen in 90,000 car blocks, when necessary but in long distance shipments in powder form is the most economical.

By Mr. Cruickshank:

Q. Are there enough plants in Canada now to handle our production?—A. Yes. It will not be possible to keep them all operating full time this year.

By the Chairman:

Q. Coming back to this question of price, you mentioned, if I understood you correctly, that the drying plants were paid 15 cents a pound?—A. For A-grade on the yield between 10.75 and 11 lbs. per case, 15c. a pound. For Grade B which is about 10 per cent of the production, 10 cents a pound. For no grade powder which is not exported, no drying charge is paid.

Q. Is that the price they get for producing the product?—A. Conversion.

Q. That is over and above the price they pay for the eggs.—A. They are debited with the cost of the shell eggs and credited with the value of the powder delivered.

Q. What I was trying to get at was the cost of drying these eggs on a per-dozen basis.—A. No, on a pound basis.

Mr. SENN: I could not hear that.

The CHAIRMAN: They figured on a pound basis, he says.

The CHAIRMAN: I think perhaps it would be interesting to have on the record just approximately what it might cost per dozen to dry these eggs.

Mr. KIRK: Did Mr. Brown answer that question? If he did, we did not hear it.

The CHAIRMAN: No. He is going to make a calculation here in a minute or two.

The WITNESS: We have done all our figuring on a pound basis in connection with the dried product and these figures I quoted were on a pound basis of the dried product. Converted to a dozen basis the average cost of drying for all grades is roughly 5 cents a dozen. That includes the cost of breaking, drying, part of the packaging cost, full insurance on all shell and dried eggs in his possession, loading and unloading cars, etc.

By The Chairman:

Q. It is the approximate price I was getting at. Do these dryers buy the eggs on the market?—A. No. That is the practice in the States. The Board in Canada buys all the eggs at the board price agreed upon with the Ministry of Food. They in turn are allotted to the different dryers, debited to them at the price which the board paid. The cost of the eggs is subtracted from the value of the powder before settlement is made.

By Mr. Blair:

Q. What are the probabilities of these drying plants being of service after the war is over?—A. We hope that they will be continued. We do not feel that dried eggs will replace shell eggs wherever shell eggs can be made available.

Under the new trading conditions, as epitomized in the Atlantic Charter, it is likely that these concentrated foods will be used in many parts of the world to-day not yet developed; and with a product as valuable as this, with air transport developing as it appears to be, we look forward to a continuation of the trade in dried products.

By Mr. Golding:

Q. What is your situation now in regard to your requirements? Are you getting sufficient eggs to meet your requirements, or what is the situation at the present time?—A. From present indications, the 1943 contract will be short about 30 per cent. The minimum contract was 9,000 tons. We have between 6,000 and 7,000 tons in sight. On the domestic market—the demand for eggs has been phenomenal. We believe the production objectives set forth in the dominion-provincial conference last December have been met, but the Canadian people have used them. Eggs have been in free supply on the Canadian market, and with the shortage in other things, the egg industry has enjoyed a volume of sales that was long hoped for but never before realized.

Q. I wonder if you could give us now, Mr. Brown, the production in regard to the last return compared with the production of last year on eggs?—A. I could give it to you at the end of May.

Q. If you could make that comparison we could see where we are. Take the first four months or the first five months of this year compared with the first five months of last year.—A. To the end of May, 951,670 cases.

By the Chairman:

Q. From what date?—A. January 1 to May 31, 1943, 951,670 cases as against 986,334 cases from December 23, 1941 to May 31, 1942. You could take off 8,000 cases in December, leaving 979,000 dozen in 1942 as against 951,000 dozen in 1943. That is 29,000 short to the end of May.

By Mr. Golding:

Q. That is cases?—A. Cases.

Mr. BLAIR: 30-dozen cases.

By the Chairman:

Q. Who was short that much? Was it the general trade?—A. No. The board receipts were down that quantity.

Q. Oh, I see.—A. The egg receipts of the board were up in January, May and April and down in February and March this year as compared with last year. As an indication of what was in the country in the way of production, the board receipts in January, 1943, were 51 per cent over January, 1942. At that time the increased rations from six to twelve ounces on the part of the national defence forces, and the wholesale and retail sales' effort in a domestic way on eggs had not come into effect. We feel that the January figures are proof that the production was in the country until the domestic consumption developed to such a point that it detracted from the export supply. There has been a question all along whether or not more stringent efforts should be applied to eggs in the way of filling the contract. There has been this feeling, however, that with other products under such keen demand for Britain it was good policy to leave one product of the livestock series more or less free to the Canadian people. There are also problems of instituting any rationing system for a ready-made product like eggs. Britain's and Germany's experience with rationing shell eggs has not been very successful.

By Mr. Golding:

Q. Just following that up, the figures that you have given indicate you are not getting as many eggs as you did last year. That is the board. That is not due, is it, to the price factor? Is that a factor in the picture?—A. Price is always a factor but since the board has instituted the practice of having a producers' consultative committee to meet with and advise the board on the contracts there has not been the complaint from the country on price that there was before.

By Mr. McCubbin:

Q. Who are on this producers' committee?—A. Delegates are named from the exporting provinces by the poultry industry committees of those provinces.

By Mr. Blair:

Q. Did the fact that the price control said that hens were to drop 3 cents a pound a month ago cut down the production of eggs?—A. No, I do not think so. It cut down the marketing of fowl.

By Mr. Soper:

Q. What is the average price of eggs to the producer to-day?—A. What part of Canada?

Q. Say eastern Ontario?—A. Around 33 cents, I would say, for A-large.

By the Chairman:

Q. That is the price your board is paying?—A. No, the board price is 35 cents, Montreal.

By Mr. Cruickshank:

Q. That is for grade A?—A. Yes. Five cents less for grade B, 2 cents less than A-large for medium, 8 cents for A-pullets.

By Mr. Mullins:

Q. Would that apply to Quebec also?—A. The price is adjusted on a freight basis against Montreal for all parts of Canada.

By Mr. Cruickshank:

Q. In your experience what has been the average return to the farmer? You say it is 35 cents for grade A now, but there are also grade B and peewee. What would be the average for a flock in your opinion?—A. Do you wish British Columbia for a period?

Q. I should like to know, yes.—A. Vancouver prices for June 18 to producers were 33 to 36 for A-large, 31 to 34 for medium, 27 to 30 for B.

Q. That is not what I was asking. I do not know whether you can give it to me. What I was trying to arrive at was the average return to the farmer. The public in our community buying eggs pays 35 cents a dozen but the farmer does not get 35 cents a dozen for the total output of the flock. You and I know there is grade A, grade B, peewees and cracks, and so on. What I am trying to arrive at is what would be the average return per dozen from an average flock? Do you follow what I mean? They are not all grade A. There is grade B and peewees.—A. Take British Columbia; it will run 85 to 90 per cent A-grade, split between grade A-L and A-medium, about 75 per cent large and 25 per cent medium. That would be around 34 cents to the producer on an average for all weights of grade A.

By Mr. McCubbin:

Q. Explain this to me. How is it that they receive that in British Columbia and we do not receive that in western Ontario?—A. Because two sections of the country, British Columbia and the maritime provinces, have been cents above the board price all year. The Board only got 3,000 cases from British Columbia this year, maybe 4,000 from Prince Edward Island and not a single egg from Nova Scotia or New Brunswick. Their prices have been above board price and as set by domestic demand.

Q. They are not bothering with the contract. They are just looking after the domestic demand?—A. Correct.

By Mr. Rickard:

Q. There is a falling off in February and March. The price was not the same in February and March as it is now?—A. No, it was higher.

Higher now?—A. The board endeavoured to follow the trend of the domestic market with their quotation. It was 37 cents in January, 36 in February, 34 in March and it rose to 35 the latter part of April. It has been 35 cents for A-large at Montreal since.

Q. It seems to me that the feeling of many people was that they were not getting enough for their eggs in February and March at a time when it costs more to produce them and they did not rush the hens the way they would have if the price had been better.

By Mr. Cruickshank:

Q. I should like to revert back to the question I asked before. I will admit it is asking you offhand to give an opinion, but with all due deference I dispute your figures on that. I want to be fair. It is asking you to give an estimate offhand. I will repeat what I am trying to arrive at. A farmer knows he does not get all grade A. The average person who buys eggs pays 35 cents a dozen and he thinks the farmer is getting 35 cents for all his eggs, say from one hundred birds. I dispute your percentage of grade A out of the entire output of the flock. I think you are going to have a far greater percentage of grade B and of pullets, peewees and cracks. We sell our cracks to the restaurants, and I presume they do across Canada. I certainly think your figures are wrong on the percentage out of the production of the flock that is going to be grade A. I do not think it is anything like that percentage.

Mr. GOLDING: I think it would be wise if you would tell them what the consumer does pay.

By Mr. MacDiarmid:

Q. Can they use duck eggs?—A. No, they are not a commercial proposition in Canada.

Q. You are not dehydrating them?—A. No, they are not available commercially.

By Mr. Golding:

Q. Tell them what the consumer paid?—A. The price to consumers at Vancouver, June 18, was 43 cents for A-large, 41 cents for A-medium.

By Mr. Cruickshank:

Q. I guess it is impossible to answer the question. I want to be fair, but you have not given me what I want. I am asking you as a poultry expert for the federal government, the Department of Agriculture, what the percentage would be? Never mind 35 cents or 50 cents. We will say for the sake of

argument you have one hundred birds and we will say for the sake of argument that you get seventy-five eggs a day. I am just using those figures as an example and I am curious what the department's estimate would be as to those seventy-five eggs, how many would be grade A, how many would be grade B, and how many would be mediums. The provincial Department of Agriculture gave us their estimate in British Columbia. I am curious to know.—A. I could answer your question exactly for three months by taking the grading returns from the registered grading stations in British Columbia. I will be glad to file that information with the committee if it is so desired.

The CHAIRMAN: Very well.

By Mr. Tustin:

Q. Yesterday I understood you to say that the products board had been able to turn back to the British Food Ministry \$400,000 last year as profit made on eggs, that you had an agreement with them that if there was any profit accumulated you would turn it back to the British Food Ministry. You have told us this morning that in February and March there was a shortage of eggs so that you did not get enough eggs to fill the contracts as you would have liked to have them filled in those months. Could you have filled those contracts if you had taken some of that \$400,000 and handed it back to the producers by paying them a cent or two cents a dozen more for eggs? Would it have stimulated production? Would it have brought eggs to the board? Instead of handing back the full \$400,000 could some of that have been given to the producers?—A. I was out on the prairies in February and early March when it had been thirty below with a high wind, and I do not think there is any price could induce those hens to lay under the conditions to which they were exposed.

As to the surplus from last year it was not available to the special products board in any form. When the Board was asked to make conversion from shell to dried it was also asked to make an estimate of the cost of that conversion. Not having had any experience a generous estimate was made, an estimate generous to the extent of the sum mentioned, and in making that estimate knowing it was high it was agreed in the contract that any unexpended balance would stand to the account of the Ministry of Food. That is why it went back. It was not available for this year.

Mr. WRIGHT: I entirely disagree with Mr. Brown in his statement that nothing would have made the hens lay more on the prairies during the cold weather, because I happen to know if you have a little bit of heat in the henhouse and you are getting a price for the eggs you can make hens lay more in cold weather. I say the price is a definite factor in the amount of eggs produced in western Canada in winter time, and I think that is so right across the dominion, so that I entirely disagree with Mr. Brown's statement that price does not affect the amount of eggs produced.

Mr. TUSTIN: The point I was trying to make was that if per pound we had been a little more generous with the producer it would have helped. We were generous enough to hand back \$400,000 to the Ministry of Food. I am not finding any fault with that at all but had we been a little more generous with the producer would it not have stimulated production to a greater extent than it did?

The WITNESS: I stand corrected on that observation, sir. I do believe there is a way in which production can be maintained on the prairies right through the coldest weather, and even without artificial heat. In any contacts made on the prairies at that time that subject was the principal topic of conversation. You recall years ago there was a practice of turning the blower over the poultry house and burying it ten or fifteen feet deep in straw. The only trouble was that

they buried the front as well as the rear and cut off ventilation. If that practice, or something like that, could be continued in moderation and a certain amount of circulation provided for but not enough to detract from the birds' natural heat I am satisfied that January production of the western provinces in 1943 and 1942 can be continued during the months of February and March. It is simply a matter of using the available facilities on the farms to bring about the insulation necessary to protect these birds against wind and cold.

Mr. WRIGHT: I feel that the price is a very determining factor in Saskatchewan as far as production of winter eggs is concerned. I know it is, and I know if the price is such that the farmer feels he is getting a return for his labour there will be more eggs produced out there. Your egg production in Saskatchewan can be doubled by the price factor if the price is sufficient. If there is a need for those eggs I think that there certainly should be a better return to the producer in that area. I should like to ask Mr. Brown what is the price to-day paid by the Board at Saskatoon for grade A eggs?—A. 32·35 for A grade in car lots at Saskatoon, as of this date.

By Mr. Senn:

Q. Am I right in assuming that your board purchases these eggs to the account of the British Ministry of Food; I mean to say, do the eggs belong to you or to the Ministry of Food?—A. They belonged to the British Ministry of Food last year but this year they belong to the board.

The CHAIRMAN: I would like to follow that up just a little. I am slightly confused in my own mind about that price, and I would like you to explain if you could the mechanics of that purchase. I understand that the board buys these eggs at 35 cents a dozen and they then belong to the board. Then the board's negotiations from thereon are in arriving at a drying price and the price of the eggs powdered delivered to the British Ministry of Food.

Mr. SENN: Yes, and I would like Mr. Brown also to enlarge on this: there is a set price paid for the eggs, or for the powder, by the British Ministry of Food. Is that set price arrived at because of the domestic price, or is it a set price which determines that price; who determines it? Is it your department, your board, or is that price set by the British Ministry of Food at the time they take delivery?

The WITNESS: I will answer the first question first, Mr. Chairman. Last year the contract was on a basis of so much a dozen for shell eggs so that when the shell eggs were bought they were the property of the British Ministry of Food. They were their property in all the stages—fresh, storage, frozen, dried, etc.—according to the terms of the contract. This year the contract is for pounds of dried eggs delivered at seaboard, \$1.16 a pound in barrels. A treasury sanction is placed to the credit of the Special Products Board in the Bank of Canada to cover a given quantity. In arriving at the \$1.16 a pound, last year's spring price of 32 cents was taken as the basis. To this 2 cents was added following to cover the increased cost of feed and labour involved, following conferences with the different consultation groups. This made the base price 34 cents. To that was added the probable cost of shell egg storage, long and short hold, frozen egg storage, transportation, breaking and conversion to powder. Taking converted to a pound basis this makes a total of \$1.16.

By Mr. Senn:

Q. In other words, Mr. Brown, it means that this base price of \$1.16 for powdered product really sets the price that you pay for the eggs?—A. Yes; but we figure it the other way. We take the price that has been arrived at for shell eggs and then add to that price the costs for the services that I have enumerated.

Mr. SENN: Then your price for the eggs is really 34 cents; that is really made after consultation with the producers' association?

The CHAIRMAN: Yes.

The WITNESS: I might say for your information that that committee is being convened again to meet here in Ottawa on the 12th, 13th and 14th of July to consider the 1944 contract.

By Mr. Senn:

Q. There seems to be a wide discrepancy in between the British Columbia rate, the Ontario rate and the Maritime rate as to what the price should be?—A. There was.

Q. How did you arrive at that?—A. They came together on the Montreal basis in the end.

By Mr. Rickard:

Q. Who are your representatives on this board who set this price?—A. What board?

Q. To set the 34.5 cent price?—A. The personnel of the special products board are Dean Shaw, Mr. Hamer and Mr. Major.

Q. Were there representatives of any poultry organization?—A. There were these consultative committees called together; one representing the producer and one representing the trade. It is a producers' consultative committee that helped to set the price for the ensuing year.

By Mr. Cruickshank:

Q. Where are they from?—A. One from each of the seven exporting provinces in Canada

Q. Are they appointed by the poultry people themselves?—A. Yes. The representative from British Columbia who is coming here two weeks hence is Mr. Heady of Cloverdale.

By Mr. Fair:

Q. Is it by the representatives of the producers in fact that the price is set, or is it just given to them by some other board as an arbitrary price?

The CHAIRMAN: The special products marketing board I suppose has to assume the responsibility for whatever price is agreed upon. I imagine that would be the case, after consultation.

Mr. FAIR: If that is right, is it put on the actual cost of the product or on something recommended by the representatives of the producers; or is it set by some lawyers and bankers who are just out to fix the price of something?

The WITNESS: The 1943 contract is based upon the price recommended by the producers' committee.

By Mr. McCubbin:

Q. Who is the representative from Ontario?—A. Mr. White of Seaforth.

By Mr. Rickard:

Q. Is he a poultry dealer?—A. No, he is a producer.

By Mr. MacKenzie:

Q. Mr. Brown said it was pretty hard to increase production in the prairies when the temperature was 30 below zero and the wind was blowing 60 miles an hour. Mr. Wright says you can do that, and the price is a factor. There is one thing I want to be clear about. If you attempt to increase the production

of eggs during the winter months by lights and by certain stimulating processes, or if you keep them throughout the year on an equal basis, what is the difference in the individual production, cost per hen or per pen; say as between the use of stimuli as compared with the general average throughout the year?—A. You can increase your total production by that means. For instance, there are grading stations in eastern Ontario which get their biggest production in December and January. It does not seem to interfere very much with their spring production. It may when it comes to July and August production.

By Mr. Golding:

Q. Will you tell us your experience after experimenting with your artificial heat at the experimental farm? You have tried that out for quite some time; what was your experience as to that, as to the cost involved?—A. I had with me here yesterday Mr. Robertson, of the Experimental Farm staff, who could have answered that better than I. But, generally speaking, there has not been much publicity concerning the use of artificial heat. The introduction of artificial heating in poultry houses is a ticklish undertaking. It does help sometimes. It appears that if you can get in just enough to take the chill off it does help and it does not interfere with the hatchability later on but if you give them too much heat it is fatal. It is believed that with properly insulated houses and with proper ventilation there is enough animal heat produced in the average flocks to take care of the heat factor without going to the expense and hazard of introducing artificial heat.

Mr. GOLDING: I think you are right.

By Mr. McCubbin:

Q. There is included in that this thought: what is the prospect of the available supply of stimulating feeds, such as these concentrates and so on; what is the prospect as to the available supply say for next fall and winter?—A. Mr. Presant could have answered that better than I when he was here. There is a problem in connection with concentrates and production has suffered somewhat this year as the result; and it may be that we should be getting more eggs right now than we are. Fortunately or unfortunately, the present generation of poultry raisers has grown up with the idea that they must have specially prepared commercial mashes and scratch grains. There is no doubt those methods have been reflected in good hatchability and increased production. Whether the cost justifies the end is another question. In the advertisement which we put out each week in the Egg and Poultry Market Report natural sources of concentrates such as grass milk, meat etc.—there is one here that went out just the other day: grass, the economical feed—15 to 30 per cent of the food requirements for growing birds including the necessary vitamins and proteins can be provided by grass. Now, that ad was not written until high health and nutritional authority in Canada and the United States had expressed themselves before the poultry industry committee of Quebec. We may be fast approaching a new era on the use of home-grown concentrates. It will be a great thing when we come to compete with other countries on the world markets after the war, if we have by necessity found a way to greatly reduce the cost of producing a dozen of eggs.

By Mr. Crwickshank:

Q. Is grading uniform across Canada, as to A and B and the different lower grades?—A. Yes, by federal regulation and further substantiated by enabling legislation in each of the several provinces.

By Mr. Evans:

Q. Can you give us figures on the increased production by provinces since you started your campaign for the production of eggs; say, for the first

three months of 1943 as compared to 1942; or say, in 1942 as compared with 1941? We would like to have that on our record, if you have it. I understand there has been quite an increase in production, especially in the prairie provinces and Ontario. I think we might as well have that if you can give it to us.—A. I have not got it here.

The CHAIRMAN: Well, Mr. Brown, if you would make a note of that question and supply us the information we would appreciate it.

By Mr. Wright:

Q. Mr. Brown has stated that the price at Saskatoon was 32.35.—A. Yes.

Q. What guarantee is there that the producer gets the price based on that price? What I am thinking of is that in certain areas there is only one place for the producer to sell; there is no competition; there are not two or more companies buy. What guarantee is there that the producer gets the price based on the board price at Saskatoon? That company may pay the producer anything it likes, or on some basis of different grading. Is there any guarantee that the price paid reflects the actual price which the producer would be entitled to on the basis of the Saskatoon standard?—A. No, there is no guarantee. Last year there was issued a leaflet, one of a series, which was given very wide distribution. It gave in detail the costs that eggs should normally bear from any point in Canada to seaboard; and that included grading, cases, overhead, etc. But there was nothing but competition to ensure the individual getting the price.

Q. Would there be any practical means of guaranteeing a price to the producer rather than guaranteeing a price at the driers?—A. The trouble is that so far as the Special Products Board is concerned we only have to do with export, and there is only about 15 per cent of the total product that goes into export. The domestic market in the egg business is still the principal determining factor in price.

By Mr. Leger:

Q. Is there a floor price on eggs?—A. The board price is the floor price; that is the point beyond which eggs need not go below in Canada. The Board at present stands ready to take all eggs offered at that price.

By Mr. Mullins:

Q. In my section of the country, the eastern townships of Quebec, we have the egg grading stations located in cheese factories and stores. We have been receiving many complaints that the farmers are not getting proper service; that is, the farmer brings in these eggs to-day and these people are too busy and they will set them aside, and sometimes they are there two or three days before being graded. Naturally the farmer does not get the price he should for his eggs because they have gone down in quality. Is there anything being done about that or are these stations supposed to be equipped with refrigeration, or can they handle the eggs in any way they see fit, or how is it proposed to be operated. They are only starting this service in my section and I have complaints; therefore I was wondering if it could be improved in any way?—A. The regulations provide that a registered grading station shall be equipped in a certain specific manner: one of the specifications is it shall provide a temperature of 65 degrees or less in which to grade and hold the eggs. The practice you mention is not good practice. They should make their returns as quickly as possible, and if you will care to to give me the name of the territory to which you refer we will have it investigated and checked.

Q. I would prefer you to look into it and make a report.

The CHAIRMAN: I should like to ask you a question in that regard, too. I have been given to understand, particularly in the province of Manitoba, some changes have been made with respect not to the egg-grading regulations but to the method of handling or that probably you had established through licensing or otherwise certain stations in the different parts of the province to handle the eggs rather than have them go through the retail stores and things of that character. Can you say a word with respect to what is being done in that regard?

The WITNESS: There has been no major change in the federal egg-grading regulations since they were amended the last time, four or five years ago.

The CHAIRMAN: Just changes in Provincial legislation.

The WITNESS: Yes. Up to last fall everyone in Manitoba who was engaged in interprovincial trade was a registered grading station. At that time, however, the province put into effect enabling legislation, whereby all eggs marketed in Manitoba were required to go through registered grading stations.

By the Chairman:

Q. Is that same policy applicable throughout Canada?—A. It is in effect in all provinces now. Manitoba was one of the last to come in line. Alberta and Manitoba came in together. Now, that does not preclude the merchant from receiving eggs, but the regulations require that where these eggs are graded certain grading facilities, temperature control, and other things, must be provided; that the merchant may take the eggs in from the farmer and identify them through to the grading station for grading, but he cannot grade them and put them up as graded products unless he is qualified as a registered station.

By Mr. Senn:

Q. Can the producer himself grade his own eggs and sell them on grade?—A. Yes.

Q. And there is nothing to prevent him?—A. On a public market or on a city route and the like. When he takes on the function of a retailer or wholesaler he must grade his eggs.

By Mr. Soper:

Q. He cannot sell to the local store?—A. The local store can take delivery, but he can only make an advance payment on them. They must be passed on to the grading station to be graded and the store must have the grading returns back before he makes final settlement.

Q. If the farmer graded the eggs before he brought them to the store, would the storekeeper have to pass them on to the grading station?

By Mr. Rickard:

Q. Would not the farmer in that case be responsible for the grading of the eggs?

Mr. SENN: Yes.

The WITNESS: He has to identify them. When the producer grades them, he has to identify them on his container with the name and address so they can be followed through.

By Mr. Golding:

Q. What is allowed at the grading station for the grading?

The CHAIRMAN: The farmer's grade may not hold out, what check would you have on him there?

The WITNESS: I did not tell Mr. Soper their eggs might be put under detention.

Mr. SENN: The grading station certificate may not be sound either.

By Mr. Golding:

Q. What is allowed to the egg-grading station for the grading of those eggs?

—A. There is no statutory allowance, the customary charge is 1 cent a dozen for grading.

Mr. MULLINS: There is nothing to prevent the egg-grading station—

By Mr. Wright:

Q. I should like to ask a question once in a while. Mr. Brown, with regard to egg grading in Saskatchewan,—I understand that all eggs are graded at government grading stations? Or do the firms themselves do their own grading?—A. No, there is no government grading station, there they are licensed or registered private and co-operative stations.

Q. And the firms do their own grading?—A. Yes.

Q. Is there any check as to how many grade A eggs they pay the farmers for and how many grade A eggs they are paid for, and how many grade B eggs they pay the farmer and how many they are paid for, and how many eggs in the other grades?—A. Yes, the grading station must keep a copy of the grading statement and he furnishes one to the producer or other shipper. The inspectors make regular visits to grading stations, sometimes they are there two or three times a week if it is a car lot shipping point, and they check the bench grading of the graders; the foreman grader in the establishment is virtually a certified grader. We do not issue him a certificate, but we test his knowledge of eggs repeatedly and hold him responsible for the grading of the rest of the staff.

Mr. SENN: But there is not a thorough—

By Mr. Wright:

Q. Has the producer the right to go into the station in which his eggs are being graded and get the number of grade A eggs that the station is paid for and the number that they have sold?—A. Do you mean if the—

Q. Has the producer in the district the right to get that information?—A. Each producer is handed back with his payment the grading on his eggs; that is required now. To inquire into the private business of the total turnover of that station might be another matter.

Mr. SENN: It is not done.

By Mr. Wright:

Q. It seems to me it is the only check the producers have as to whether they are getting the right grade for their eggs or not. It seems to me they should have a comparison with what that station is doing, how much they are paying, how many grade A dozens they are buying and how many grade A dozens they are selling. Until the producers have that right they have no guarantee that they are not being gypped as far as the grading of their eggs is concerned.

Mr. McCUBBIN: You have to put a certain amount of trust into the men you are dealing with.

The WITNESS: In Saskatchewan the grading of 1942 was made the subject of a very exhaustive study by certain members of the economic group and the officers of the provincial and Dominion poultry divisions. Each section of the province was divided, given a different area designation, and station by station, area by area, the information obtained was made the foundation for the improved

production campaign in that province last year, and this so that the stations to which you refer would have come under review in the study that was made this past spring.

Mr. WRIGHT: It seems to me there should be some legislation which would compel grading stations to publish their figures as to the number they have bought and the number they have sold of a certain grade; the publishing of those figures would certainly satisfy the producers and if they are graded there should be no reason why the station should not be permitted to publish them. These figures should be checked. The producers in western Canada now are very dissatisfied in certain sections in regard to grading. I think the publishing of these figures by the registered stations should be made compulsory.

Mr. FAIR: I want to support Mr. Wright, because I was going to take up that very question before the meeting adjourned. Looking back over a number of years I know that the wheat growers have had trouble in finding out just what the grades on disposal of wheat were of any particular company or of the wheat purchasers as a whole; and up to the present time we have never been able to find out just what the returns of some of the companies were, particularly after the grades of the terminal elevators were included. I do know that the producers of eggs have to go through exactly the same procedure as we have had to go through. I have had a number of complaints in connection with the grading of eggs in my particular part of the country; and until something is done they will continue. I do not know just what the procedure should be, but perhaps something as suggested by Mr. Wright might be instituted which would bring some greater return to the producers of eggs who are, after all, the main group with which we should be concerned. I think the processors and others have seen to it at all times that their profits have been adequately taken care of, regardless of the loss or profit of the producers who, after all, are the main ones to be considered.

Mr. BLAIR: Mr. Chairman, these men are asking for private business affairs. I do not think it is possible to give that, in justice to the grader. I think if you are not satisfied with the grade you are getting on your eggs, you could take them to another grading station.

Mr. WRIGHT: There is no other one to take them to. You cannot do that. There is only one station for your point.

Mr. BLAIR: I would expect that you would have another grading station not far away where you could take your eggs, or you could grade your eggs at home, or you could stand beside the grader and see your eggs being graded. The farmers in our district do that. There is nothing to prevent you from doing it. They stand by the grader and say, "Why do you put that egg here?" or "Why do you put that egg there?" It is an easy matter to see that your eggs are graded properly. You do not need to expect any grader to lay all his business open to the public view, and the egg grader from the district would not abide by such a decision.

Mr. FAIR: They say that a little learning is a dangerous thing. Drink deep or taste not the Pierian spring. The experts in other lines seem to know far more about the business of the egg producers than those who are doing the producing. So I suggest that we take in Canada-wide territory rather than something within the bounds of what one might call a quarter-section in the west.

The CHAIRMAN: In connection with the observations of both Mr. Wright and Mr. Fair, may I say that I think there is a point there undoubtedly that would mean considerable to the producers of eggs. Looking at my own district, we have a co-operative there that handles all the eggs of the community, and of course grades them. What you are really wanting to get at is how accurate their grading is out of the grading station as against the eggs when they grade coming in.

Mr. FAIR: I am not worrying about the co-operatives at all, because if there is any error in the grade, it goes back to the people that produce anyway.

The CHAIRMAN: I was not thinking about it from that standpoint only. I was thinking about it from the actual check on the grades of eggs that are coming to that particular station. If that can be done, I think there is some merit in the suggestion.

Mr. FAIR: That is what we are trying to get at.

By Mr. Leger:

Q. Mr. Brown, in some districts your field man does check up every month or every two months?—A. Right.

Q. He compares the slip which is retained by the egg station from the producer and also his report when he makes his sale. In that way I believe there is a check. I do not know if that is done in the prairie provinces, but in New Brunswick, in some districts it is.—A. That is correct. That is the method that is followed.

Q. Is the same thing done out west?—A. Yes, it is.

Q. Then I think they have a check there.

By Mr. Rickard:

Q. They cannot check them all.—A. They do not check every producer's lot. A sample is drawn during visits.

The CHAIRMAN: The handling of eggs is a pretty delicate process, and you would not want to handle them over again to grade them. What you are wanting to get is the out-turned grade as against the grade that is coming in.

Mr. WRIGHT: That is exactly what we are anxious to get.

By the Chairman:

Q. I thought perhaps that is what this new development in our province was for this year; if you were concentrating the grading in fewer hands, it could be more easily checked.—A. No. The real purpose of the change, for instance in Manitoba, was this: to have the eggs graded once and properly done.

Q. Yes?—A. So they would move on through the various trade channels without requiring additional expense of further grading. The grading of eggs, except for a few stations, has practically ceased in many of the larger centres, especially in the east because the grading at country points is so well done that the product moves through wholesale and retail channels and out to the consumer without material change in grade.

By Mr. Leger:

Q. Mr. Brown, have you egg circles all through Canada or just in New Brunswick?—A. They are not known as egg circles now as they used to be. There will be local units of provincial co-operatives—the same principle, but mostly with their own grading stations.

Q. The egg circles in some districts bring their eggs to the egg grading station. Is that law in effect all through Canada?—A. Yes.

Q. Is it being imposed all through Canada?—A. Yes. There are areas—deficiency producing areas—where there are not sufficient eggs to be commercially significant. It is more difficult to administer the egg regulations there than where they are in volume production.

By Mr. MacDiarmid:

Q. May I ask Mr. Brown what qualifications these egg graders have. In the first place, do you give them a certificate? What is their age? How old have they to be before they are graders? May I mention something that

happened down in my constituency. These people have been in the poultry business for quite a few years, and run a general store besides. They handle quite a few eggs, and they wanted a grading station there. I wrote to the department and they told me that they did not have enough eggs there to warrant it. Yet they got a fellow from twenty miles away to go out and start a grading station in opposition to the local one which had built up this trade. Have we any redress from that? Who are the graders? What qualifications have they? Do they get a certificate? How old are they? Do they know their business? Who appoints these graders?—A. The graders are the employees of the station owner. No certificates are issued at the present time to graders. The foreman of a station, however, is held responsible by the inspector for the grading that is done under him, and that foreman is given tests from time to time to see whether or not he is retaining his competence. Furthermore, in different parts of the country, by arrangement, grading schools have been held at frequent intervals and the station owners invited to attend—where possible these schools are held in the evening—where instruction is given and tests made of all graders who wish to submit themselves for tests. They were given a rating, not a certificate, and told where they stand. So that there is a steady, continuous check-up and instruction of egg graders across Canada.

Q. The foreman is responsible for these graders, if it is a boy thirteen or fourteen, and if that boy does the grading all right. The foreman does not get a certificate?—A. No. No certificates have been issued. The transient class that offer their services as egg graders in some centres are not just—you would hesitate about giving them a government certificate. We check them from time to time. We would not want them to go out and abuse that. We have drawn the line in issuing them certificates. We would rather retain the responsibility of checking them without certificates.

Mr. SENN: How many inspectors have you?

Mr. MACDIARMID: I know of merchants down there to whom some of these people with a few hens go. They may take half a dozen eggs, and they may want molasses or sugar. The merchant cannot take this half dozen eggs from these poor people who just have a few hens. As they do not use this surplus of eggs they go up to the store with half a dozen eggs. I remember years ago one fellow used to take two eggs and give them to the postmaster because he had no money. These merchants are cut out from buying any of these eggs from these poor people. There are not enough to take up to the grading station. It is a hardship.—A. Any merchant may still continue to be a receiving point for eggs. He turns them on to the grading station. Unless he is qualified and has proper facilities he is not given a permit to run a grading station.

By Mr. Mullins:

Q. Can he retail them out to his customers after having received them or does he have to take them into a grading station?—A. Legally, no, but in outlying points the inspector has not gone around too often.

Q. There is no way of encouraging these egg grading stations? I find in my section of the country that we have difficulty in getting anybody to take this job. What the egg grading station receives is the profit they make on the eggs? They do not get anything else? There is no encouragement whatever for an egg grading station to do this work?—A. None that I know of.

Q. They do not get anything at all from the department?—A. No, there is no financial assistance.

Q. They receive the profit they make on the eggs?—A. Yes.

Q. Therefore an egg grading station can buy eggs at the price it likes to pay, what they wish to pay, and the farmer has to take it?—A. It is a free trading proposition.

By Mr. Senn:

Q. Have you any set fee that a grading station may charge?—A. There is no legal fee stated. It does vary a little. I said a cent a dozen. That is the customary charge where there is a big volume turned over. A gentleman over here mentioned that in his territory they usually charge 2 cents. It may be due to the volume. They may only have forty or fifty cases a week, not enough to keep a candler going, and the charge might be higher than when he would have a full week's employment.

Q. I was going to ask you a question as to how many inspectors you have over the dominion?—A. Somewhere in the neighbourhood of eighty poultry products inspectors.

Q. Are they sufficient to properly supervise the whole trade? I mean to say, it is divided into districts, I understand, and an inspector or two have charge of a district. Are there districts too large so that they cannot properly supervise the grading in these different districts?—A. There are times in the spring of the year when the rush of car lot inspection is on when it is difficult to continue as fully as we would like the steady review of the work in individual grading stations. Coming along to this time of the year the men are freer and their work changes. They will be in the country visiting the stations now.

By the Chairman:

Q. Just on that point you mentioned car lot inspection. Would you tell the committee what you mean by car lot inspection?—A. No eggs move in Canada interprovincially in lots of fifty cases or more unless under inspection, and the trade has developed to the point where all car lots and the majority of commercial transactions pass under inspection. There are different schedules of fees for different types of inspection.

Q. If a co-operative shipped a carload of eggs from a station you would have car lot inspection on that when it arrived at its destination?—A. No, all inspections are made at shipping points, not at destination. That has been a cardinal principle in egg grading from the start. We felt that to get the grading right at the shipping point and keep it right was a first essential.

Q. Does your inspector go out there to check that carload before it leaves?—A. He does.

Q. Does he draw out a certain number of cases from the car and inspect those?—A. Yes, 5 per cent in half cases is the minimum sample, but in view of the fact that in most car lots a number of grading stations have contributed the number which he draws is much greater than the minimum.

By Mr. Wright:

Q. Mr. Brown has just stated that these inspectors are not able to do a thorough job during the rush months in the spring of the year. That is the time when the grades of eggs are complained about mostly by the farmers because that is the time when they are bringing in a lot of eggs and they feel they are not getting their rights. I do not know whether they are or not. I am not saying whether they are or not but these egg grading stations are all registered by the government, and it seems to me that the government when they register these stations should see that these stations publish returns on the output. If they did that it would certainly stop all this discussion. That is all that would be necessary. If these returns were published the producers would have some assurance. It seems to me that is one thing that should be done.—A. I said that these returns are not published. I think it was in March or April there was an addition to the regulations that required all grading stations to make returns weekly of the volume handled and their grading. We publish in the market report each week a column of egg receipts. It does not give the grades

at present. For instance, British Columbia reads seventy-eight stations report 7,327 cases for the week ending June 12, and 7,592 for the previous week. That information is coming into the department now but is not published in the form that you request.

Q. I think it should be published. It should be published from the individual stations so that the producers in that area could see what they were getting and see what the stations were getting. It would stop a lot of dissatisfaction in the country and I am sure would help to increase production which we need at this time. It would be perfectly fair to the station. If there is no dishonesty there would be no reason why they should not publish the figures. There is no reason why the producer should not have that assurance. I for one would certainly like to see that placed in the regulations.

By Mr. Cruickshank:

Q. Are there any inspectors in British Columbia?—A. Yes.

Q. Have you any idea how many?—A. Five. We drew on some of them to work on the prairies this spring though.

Q. I thought they were missing because they were not inspecting in British Columbia, so I know where they are now. We have exactly the same complaint, and I imagine every district has. We get hooked. We are hooked on our grades. Could we not have some assurance as to how often the inspector would be in to each plant? If he is going to be in once every two weeks or once every month some of these big firms can retire to Florida in two weeks.—A. Since British Columbia passed out of the export picture the staff has had a lot more time to devote to station practice than they had when that province was shipping in car lot quantities, and I would venture to say that you are getting a pretty good check-up on the average on the grading stations in British Columbia.

Q. It does not show it.

MR. LECLERC: We seem to be spending quite a lot of time discussing grading. May I say that when it comes to grading, either grading eggs or grading cream or testing cream, there is no man living who will ever give satisfaction to the farmers. I defy anybody here or anywhere in Canada to find a creamery or co-operative that can satisfy the people on the grading of cream and testing cream. I think that applies to the grading of eggs the same as to the grading of cream. There is the same difficulty. There is no man alive who can satisfy the people.

By the Chairman:

Q. I was going to ask, has the grading of eggs stood up so far as this powdered egg business is concerned? In other words, are A and B grade eggs of sufficiently high quality that they are satisfactory for this product? Do you experience any difficulty with respect to the principle of grading and maintaining the quality of this product?—A. In our contracts with the officials of the British Ministry of Food we have been able to establish the same confidence that was created among the private importers in Britain. The fine quality that Canada has given them has come about as a result of 25 years of grading shell eggs in this country, the experience, the knowledge and the ability to maintain these grades. You will recall that in my remarks yesterday I told you the story of the difficulty in arranging terms of payment with British Treasury officials, where the British importers for 15 years before the war were willing to pay their money at a shipping point in Canada on delivery of the through bill of lading accompanied by certificate of inspection; this was an achievement in salesmanship based on grading, something not obtained in any other agricultural product—

The CHAIRMAN: I think wheat will come in there.

The WITNESS: Growing out of the confidence established in this system of grading.

By Mr. Wright.

Q. I do not want to interrupt you; I just rose to make sure what I have said will not be taken as indicating that I am in any way opposed to the grading of farm products. I think it is one of the most important things we have.

The CHAIRMAN: It has really built up the market for eggs.

Mr. WRIGHT: Of course, one result of this grading has meant that your market has been increased; but I still claim that it could be improved upon and I think that should be done.

By Mr. Senn.

Q. I fully agree with what Mr. Wright has said, that the system of grading eggs has done very much to make better conditions all through and it has increased the production of eggs to a large extent. However, I think a good part of that is due to the operation of egg candling. I think that also has been a good thing. Now, I wanted to ask Mr. Brown one question just here: I have heard it said through the country in a good many instances that the right way to handle eggs is to have them candled and then sell them by weight, and if that were done there would be no confusion about the wrong grading of eggs or anything of that kind, as long as they were fresh. Would a view of that kind be practicable if it were possible to have it brought about?—A. Yes, eggs could be sold by weight within the grade, and it has been suggested on many occasions. I do not think the pressure of public opinion has risen to the point as yet to warrant a change in the way of regulations.

The CHAIRMAN: You would have eggs selling at so much per pound rather than so much per dozen.

Mr. SENN: Yes, it could be done both for fresh and storage; you could sell them by the pound.

The WITNESS: There is one thing I would like to contribute to this thought: the introduction of the automatic weighing machines in conjunction with grading has done a very great deal to prove to the producers that they are getting a fair deal. I think the psychological effect of the introduction of that automatic weighing machine for eggs has been of more value than anything brought about in the weighing of the eggs themselves.

Mr. SENN: I had a gentleman make a comparison the other day. He said that sometimes we laugh at our British friends for keeping this whole system of pounds, shillings and pence in their monetary system which is so cumbersome and so hard to figure quickly and all the rest of it. He said that the grading of eggs under our present system is just as antiquated as the British system of currency in comparison with the decimal system. And now, it seems to me it would be simpler, once it was established, for the farmer to take his eggs in and sell them by the pound; and if he did that I do not think there would be any difficulty or any question about the grade that he gets for them.

The CHAIRMAN: You have a standard weight for Grade A eggs, haven't you?

The WITNESS: Yes.

Mr. BLAIR: It would add a great deal to the work of the grading stations because of the involved classification it would take. It would be expensive to grade and weigh to determine the quality. My own view is that we have a lot of eggs that will run 22 ounces to the dozen, others that will go 24 ounces and others that will go 26 ounces, and I think there are places like the Royal York which would provide a market for the oversize eggs—what the trade knows as jumbos. As things stand in this country we do not get anything extra for the jumbos, and some of them may be almost twice the size of the egg called for by the official standards. You know the usual practice. These eggs are selected by the dealers, and they find a ready market in such places as the Royal York

hotel where they want eggs of a specially large size and particularly white shell eggs, eggs of the 25 and 26-ounce type. As I say, the farmer does not get anything extra for that large egg; he just gets the grade A large price. There is considerable argument about what Mr. Senn has been saying. Another case where it applies is where you bring your cattle into the stockmarket and they are being handled on a basis of an average of a thousand pounds a head. You may have one animal that would go 1100 pounds but you just say to the buyer forget about that and we will let them all go as thousand pound steers. Again, say you have a 22-ounce egg run and you happen to have a couple of 23-ounce eggs in that dozen, you do not get anything more for a 23-ounce egg. It just falls naturally into the 22-ounce grade. I think the point raised by Mr. Senn in his argument is well taken, and I support it, that you grade according to quality and freshness and then that you sell by weight. At the same time, I appreciate that you are going to add considerably to the amount of work required at a grading station; but I think the net result of the thing would be an absolutely square deal to the farmer, and I think it should be done.

The WITNESS: Mr. Chairman, somewhere there is a limit. In some cases eggs do weigh in dozen lots up to as high as 32 ounces a dozen. The standard grade A large is 24 ounces. There are lots of eggs that would run 26 ounces to the dozen. It is true that they are not being recognized as large; but if you were to attempt to establish a premium system for oversized eggs, I do not think it would stop at 32 ounce. Then, there is a relation between the size and productiveness—numbers and hatchability.

Mr. McCUBBIN: That is right.

The WITNESS: Generally speaking Britain had a 19, 17 and a 15 pound schedule for years; but we never felt that the market paid a sufficient premium for the extra weight to warrant those larger weights being separated and packed separately. The heavier weights require larger cases and packing material.

Mr. FAIR: I wonder if Mr. Brown would place on the record the names of the representative of the producers in each of the provinces whom they have on these advisory committees?

Mr. CHAIRMAN: Yes, I was going to ask him to supply the committee with that information.

Mr. FAIR: And I would also like to get the base price for the grade A large in each of the provinces; and I also would like to have the number of drying plants that are co-operatively owned in each of the provinces, and the others as well.

By Mr. Henderson:

Q. Could we have information with regard to the number that are privately owned and if they have been assisted by the government in any way, either financially or through the purchase of machinery?—A. The only drying plant that would take on a co-operative aspect would be the one in Edmonton, Alberta, the Alberta Marketing Board plant, which is really a child of the Department of Trade and Industry of that province. The others are all privately owned. Two of the original plants and the two dairy plants have not received assistance. Those that have received assistance are the new plants, the Swift plant in Toronto, the Borden plant in Winnipeg, and the Canada Egg Company plant in Saskatoon, the Alberta Marketing Board plant in Edmonton and the Burns & Co. of Calgary.

There has been no government money put in any of those plants, the form of assistance has been the same as for war industries, a write-off against equipment for a period, and buildings for a different period, and a settlement at the end of the war, should such be necessary.

Q. That is because of the uncertainty of the plants being of any use after the war is over?—A. Yes.

By Mr. Blair:

Q. Do you ever approve of 24-ounce eggs being sold for hatchability or do you approve of the 22-ounce eggs being sold for hatchability?—A. The standard for hatching eggs provided under the hatchery approval regulations provides that nothing under 23 ounces shall be set in an approved hatchery. It has been the private practice, on the part of some hatcheries, to advertise a brand of super chicks from 27-ounce eggs and up. This is a private matter and there is doubt whether it has been an advantage to the Canadian poultry industry.

The names of the delegates?

Mr. FAIR: Delegates.

The WITNESS: Those of the committee who are coming here now to consider this 1944 contract?

Mr. FAIR: Yes.

The WITNESS: Mr. Heady of Cloverdale, British Columbia.

By the Chairman:

Q. Official position?—A. Mr. Heady, I think, is chairman of the Government Relations Committee of the Poultry Industry Committee of British Columbia.

The CHAIRMAN: We can prepare this statement and include it in the record.

Mr. FAIR: That will be all right. Also, the base price in each province as well.

The CHAIRMAN: That can be included in the record as well.

The WITNESS: The special products price in each province.

By Mr. Furniss:

Q. Mr. Brown, can you tell us what percentage of egg-grading stations are operated by large produce concerns and what percentage are operated by individuals?—A. I could not give that offhand, but I can get you that information; the largest proportion are operated by private companies and co-operatives.

Q. There has been a feeling among the farmers that egg-grading regulations had a tendency to turn the business into the hands of the large produce merchants.—A. No.

The CHAIRMAN: Gentlemen, you will have to speak up so the reporters at the table can get what is being said.

Mr. WARD: I should like to point this out, that judging from the experience in my own district the moral of all this discussion this morning, or 80 per cent of it, would be the establishment of co-operatives. In my own district practically all eggs are handled through co-operative stations and I never hear a word of complaint.

The CHAIRMAN: I think I can say the same in our town.

Mr. WARD: It is all foreign to me.

Mr. McCUBBIN: The stations in our district are private industries and we have no trouble.

Mr. CRUICKSHANK: About grading?

Mr. McCUBBIN: No, not a thing.

By Mr. Ross (Middlesex East):

Q. In what region are the purchase, handling and disposal of eggs by weight carried on to any extent? It has been said it would require much pressure of public opinion to put it into vogue in Canada. For instance, is it not the uniform method in some states of the American union?—A. No.

Q. Where is it carried on?—A. There is no place on this continent.

Q. It is in England, is it not?—A. Yes, in a wholesale way commercially; Dutch and Danish eggs were sold as 19, 17, 15 lbs. etc. per 10 dozen.

As a rule, when eggs are sold at retail in the British store, it is so much apiece—a penny or a penny and a half apiece and so on.

Q. Yes.—A. So that you do not see it reflected through to the consumer.

Q. Is there any area that you know of from which the information could be obtained, where eggs are purchased by weight, where they are candled and sold by weight, both retail and wholesale?

The CHAIRMAN: I am afraid Mr. Brown would have to say that it would be more difficult to change from selling eggs by the dozen to the poundage basis as it was to change from selling bananas by the dozen.

By Mr. Ross:

Q. Mr. Brown admitted a moment ago that he saw merit in it, and that the only thing that held us back from doing it in Canada was there was not enough pressure of public opinion behind it. That is what it seemed to me.—A. I did not mean to say there was merit in it but rather to say that it was not impracticable of attainment.

Q. Oh, I am sorry. I thought you used the "merit".

Mr. CRUICKSHANK: Is it not correct that we tried to do it in British Columbia some years ago? We tried to sell eggs by weight in British Columbia some years ago, and we found that the pressure came against it from the large corporations that were buying eggs, because they could make their pound of flesh so much better in the grading.

Mr. GOLDING: Oh, forget it.

Mr. CRUICKSHANK: Forget it nothing. I am speaking for British Columbia. You speak for that little part of Ontario that you come from. This is the public opinion of British Columbia and we want to settle the thing. Although my friend may not know it, the enlightened provinces sell them by the pound and not by the dozen.

The CHAIRMAN: Gentlemen, it is 1 o'clock. We have had a pretty good discussion here this morning, and I am sure the committee is very grateful to Mr. Brown. I do not know whether there are other questions the committee would like to ask him or follow up with him. If there are, he will no doubt be available again, if it is found necessary to invite him back. I was just asking him on the side here regarding the egg-drying station in Ottawa. He tells me that he would be very glad to arrange a visit, so that any group of members of this committee who would like to do so, could see that.

Some Hon. MEMBERS: Hear, hear.

The CHAIRMAN: If the members would like to see it, I am sure that a visit to that egg-drying plant could be arranged.

The WITNESS: Preferably this week.

The CHAIRMAN: Mr. Brown says preferably this week.

Mr. LEGER: Carried.

The CHAIRMAN: Had you a question, Mr. Fair?

Mr. FAIR: I was wondering if we could get copies of the egg-grading regulations for the committee. Would that be possible?

The CHAIRMAN: There are plenty of copies of the egg-grading regulations. Mr. Brown will see that you get a copy, and any other member of the committee who may wish to have one.

What is your pleasure with regard to meeting tomorrow?

Mr. BLAIR: I move that we adjourn until tomorrow.

The CHAIRMAN: Mr. Singleton will likely be the witness tomorrow morning.

The committee adjourned at 1 o'clock p.m. to meet again on June 24 at 11 a.m.

APPENDIX

The following statements requested by the Committee, were filed with the Clerk by Mr. Brown.

PRODUCERS CONSULTATIVE COMMITTEE—1942

Representatives from:—

British Columbia—Clem Willingale, R. R. #3, Cloverdale, B.C.

Alberta—T. Hughes, Provost, Alberta.

Saskatchewan—John Cochran, 114 Ominica St., Moose Jaw, Sask.

Manitoba—Mrs. W. Allen, Eriksdale, Man.

Ontario—W. L. Whyte, Holm Farm, Seaforth, Ontario.

Quebec—R. Thomson, St. Paul d'Abbotsford, P.Q.

Maritime Provinces—Donald Macdonald, Glenfinnan, Prince Edward Island.

PRODUCERS CONSULTATIVE COMMITTEE—1943

Representatives from:—

British Columbia—C. Headey, R. R. #3, Cloverdale, B.C.

Alberta—Mrs. W. Huyck, Strome, Alberta.

Saskatchewan—A. Freeston, Stonehenge, Saskatchewan.

Manitoba—Mrs. W. Allen, Eriksdale, Manitoba.

Ontario—W. L. Whyte, Holm Farm, Seaforth, Ontario.

Quebec—R. Thomson, St. Paul d'Abbotsford, P.Q.

Maritime Provinces—Donald Macdonald, Glenfinnan, Prince Edward Island.

SPECIAL PRODUCTS BOARD EGG PRICE LIST STILL IN EFFECT

April 17th, 1943.

Subject—Shell Egg Buying Prices Effective April 19th, 1943, until further notice.

Reference—No. 63.

The schedule of prices which the Special Products Board will pay for shell eggs in carlots under the 1943 dried egg contract with the British Ministry of Food effective April 19th, 1943, until further notice, is attached.

W. A. BROWN,
Manager, Poultry Products Section.

SPECIAL PRODUCTS BOARD

Ottawa, April 16, 1943.

*Revised Schedule of Buying Prices for Car Lots of Shell Eggs, Effective
April 19, 1943.*

EASTERN CANADA

NOTE:—The prices listed below are for Grade A Large. The price for Grade A Medium will be 2 cents below A Large; Grade B 5 cents below A Large; Grade A Pullets 8 cents below A Large.

Originating Point	Basic Price	Delivered Price					
		London	Hamilton	Toronto	Lindsay	Trenton	Ottawa
Barrie.....	34.00			34.54	34.60		
Belleville.....	34.00					34.28	
Brantford.....	33.75		34.08	34.26		34.60	34.79
Charlottetown....	34.60						35.68
Clinton.....	33.75	34.26	34.39	34.45		34.73	34.93
Finch.....	34.25						34.76
Forest.....	33.75	34.29	34.43	34.52	34.73	34.75	34.96
Halifax.....	35.00						36.08
Hamilton.....	33.75		33.85	34.19		34.52	34.73
Hanover.....	33.75	34.39	34.43	34.43		34.73	34.93
Harriston.....	33.75	34.35	34.39	34.39	34.60	34.62	34.86
Joliette.....	34.50						35.38
London.....	33.75	33.85		34.43		34.68	34.90
Lindsay.....	34.00			34.54	34.10	34.60	34.85
Melbourne.....	33.75	34.11		34.45		34.73	34.93
Mitchell.....	33.75	34.22		34.43	34.63	34.68	34.90
Montreal.....	35.00						35.68
Ottawa.....	34.25						34.35
Parkhill.....	33.75	34.26	34.39	34.45	34.68	34.73	34.93
Perth.....	34.25					34.89	34.76
Peterboro.....	34.00				34.33	34.54	34.80
Quebec.....	34.25						35.18
Ridgetown.....	33.75	34.26	34.45	34.52		34.75	34.96
Shelburne.....	33.75			34.29	34.55	34.60	34.79
Sherbrooke.....	34.25						35.13
Simcoe.....	33.75		34.12	34.39		34.62	34.86
Stratford.....	33.75	34.19	34.29	34.39		34.62	34.86
St. John.....	35.00						36.08
St. Marys.....	33.75	34.08	34.35	34.39	34.63	34.68	34.90
Thamesville.....	33.75	34.21		34.52		34.75	34.96
Toronto.....	34.00			34.10			
Trenton.....	34.00				34.60	34.10	
Woodstock.....	33.75	34.11	34.12	34.39		34.63	34.86
Walkerton.....	33.75	34.39		34.43		34.73	34.92
Windsor.....	33.75	34.43		34.55		34.75	34.96

SPECIAL PRODUCTS BOARD

Ottawa, April 16, 1943.

Revised Schedule of Buying Prices for Car Lots of Shell Eggs, Effective April 19, 1943.

WESTERN CANADA

NOTE: The prices listed below are for Grade A Large. The price for Grade A Medium will be 2 cents below A Large; Grade B 5 cents below A Large; Grade A Pullets 8 cents below A Large.

Originating Point	Basic Price	Delivered Price			
		Winnipeg	Saskatoon	Calgary	Edmonton
Alix.....	32.00			32.65	32.56
Assiniboia.....	32.25	33.59	33.29		
Brandon.....	32.50	33.20			
Buchanan.....	32.25	33.31	33.03		
Calgary.....	32.00			32.10	
Canora.....	32.50	33.54	33.37		
Dauphin.....	32.50	33.28			
Edmonton.....	32.00				32.10
Estevan.....	32.50	33.54			
Ft. Williams.....	33.25	34.54			
Humboldt.....	32.25	33.59	32.75		
Kamsack.....	32.50	33.48	33.37		
Kerrobert.....	32.00		32.72		
Kipling.....	32.50	33.49			
Lethbridge.....	32.00			32.56	
Melfort.....	32.25	33.65	32.86		
Melville.....	32.50	33.48	33.37		
Moose Jaw.....	32.34	33.60	33.12		
Neepawa.....	32.50	33.12			
N. Battleford.....	32.00		32.56		
Oxbow.....	32.50	33.43			
Preeceville.....	32.25	33.37	33.12		
Prince Albert.....	32.25		32.79		
Red Deer.....	32.00			32.56	32.56
Regina.....	32.41	33.58	33.13		
Rosthern.....	32.25		32.59		
Swift Current.....	32.25	33.76	33.37		
Tisdale.....	32.25	33.59	32.98		
Vancouver.....	31.50			33.60	33.60
Weyburn.....	32.50	33.56	33.43		
Winnipeg.....	33.00	33.10			
Yorkton.....	32.50	33.48	33.37		
Saskatoon.....	32.25	33.68	32.35		
Vernon.....	31.50			32.90	

Standing by Provinces with respect to eggs supplied to Special Products Board as of May 31, 1943 and the same date in 1942.

SPECIAL PRODUCTS BOARD

OTTAWA, June 3, 1943.

EGGS INSPECTED FOR DELIVERY TO THE SPECIAL PRODUCTS BOARD FROM JANUARY 1ST TO MAY 31, 1943 (cases of 30 doz.)

Period	B.C.	Alta.	Sask.	Man.	Ont.	Que.	Mari-times	Totals by months	Total Carried forward
January.....	1,200	14,470	9,574	10,760	68,620	8,330	.....	112,954	.....
February.....		7,098	10,955	6,450	77,561	6,628	.....	108,692	221,646
March.....		19,040	16,710	5,182	63,974	2,560	.....	107,466	329,112
April.....		54,674	81,936	43,076	96,355	5,140	4,880	286,061	615,173
May 1 (only).....		2,039	1,800	2,160	3,200	.....	.....	.....	.....
May 3- 8.....		17,112	23,365	15,064	29,732	1,300	600	.....	.....
May 10-15.....		15,959	22,160	11,855	24,579	1,920	640	.....	.....
May 17-22.....		15,530	23,962	11,754	28,283	2,580	640	.....	.....
May 24-29.....	640	10,607	18,133	9,807	21,981	2,020	600	.....	.....
May 31 (only).....		3,765	2,513	2,488	7,709	.....	.....	.....	.....
Total May.....	640	65,012	91,933	53,128	115,484	7,820	2,480	336,497	951,670
Total to date.....	1,840	160,294	211,108	118,596	421,994	30,478	7,360	951,670	951,670

EGGS INSPECTED FOR DELIVERY TO THE SPECIAL PRODUCTS BOARD FROM DECEMBER 23, 1941 TO May 31, 1942

Period	B.C.	Alta.	Sask.	Man.	Ont.	Que.	Mari-times	Totals by months	Total Carried forward
1941									
December.....	600	.....	.....	600	6,700	237	.....	8,137	.....
1942									
January.....	4,806	7,340	600	8,400	51,623	1,624	.....	74,393	82,530
February.....	8,792	19,552	15,358	18,154	75,364	4,852	906	142,978	225,508
March.....	5,040	27,915	26,486	21,010	61,649	.....	.....	142,100	367,608
April.....	5,760	46,240	65,057	44,953	112,818	5,480	3,053	283,361	650,969
May 1- 2.....	720	4,240	4,320	4,200	13,022	1,320	600	.....	.....
May 4- 9.....	1,320	13,440	23,603	15,476	31,033	3,240	1,920	.....	.....
May 11-16.....	1,280	11,480	23,580	12,100	34,229	2,520	600	.....	.....
May 18-23.....	1,240	9,400	19,277	12,691	25,800	2,560	1,200	.....	.....
May 25-30.....	1,240	10,177	13,508	9,821	22,168	1,200	1,840	.....	.....
Total May.....	5,800	48,737	84,288	54,288	126,252	10,840	6,160	336,355	987,334
Total to date.....	30,798	149,784	191,789	147,405	434,406	23,033	10,119	987,334	987,343

W. A. BROWN,
Manager, Poultry Products Section.

*PRODUCTION OF EGGS BY PROVINCES FOR 1938, 1939, 1940, 1941 AND 1942
Dozens

Province	1938	1939	1940	1941	1942
British Columbia.....	18,211,000	18,403,000	20,350,000	20,848,000	22,376,000
Alberta.....	23,158,000	24,292,000	26,117,000	28,160,000	34,173,000
Saskatchewan.....	32,315,000	35,550,000	40,299,000	42,736,000	49,617,000
Manitoba.....	18,200,000	20,540,000	21,320,000	22,507,000	28,276,000
Ontario.....	78,200,000	78,461,000	78,798,000	80,690,000	90,117,000
Quebec.....	31,765,000	33,224,000	35,854,000	35,921,000	39,442,000
New Brunswick.....	4,526,000	4,340,000	5,374,000	4,704,000	5,412,000
Nova Scotia.....	3,836,000	3,932,000	4,778,000	5,055,000	6,422,000
Prince Edward Island.....	3,188,000	2,995,000	3,216,000	3,536,000	4,417,000
CANADA.....	213,399,000	221,737,000	236,106,000	244,157,000	280,252,000

CA1
XC12
-A48

SESSION 1943
HOUSE OF COMMONS

Government
Publications

STANDING COMMITTEE
ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, JUNE 24, 1943

WITNESS:

Mr. J. F. Singleton, Chairman of the Dairy Products Board.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1943

JUL 3 1943

MINUTES OF PROCEEDINGS

THURSDAY, June 24, 1943.

The Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., the Chairman, Mr. Weir, presiding.

Members present: Messrs. Blair, Clark, Cruickshank, Dechene, Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Golding, Gregory, Hatfield, Lafontaine, Lalonde, Leclerc, Leger, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Mullins, Perley, Rennie, Rheaume, Rickard, Ross (*Middlesex East*), Senn, Soper, Tustin, Ward, Weir, Whitman, Wright.—34.

In attendance: Mr. J. F. Singleton, Chairman, and Dr. H. A. Derby, Secretary, Dairy Products Board.

The minutes of the last meeting were read, and on motion of Mr. Leger, approved.

Mr. Singleton was called. He made a general statement on the functions and activities of the Dairy Products Board and was examined.

On motion of Mr. Golding, the Committee adjourned at 1.05 o'clock, until to-morrow, Friday, June 25, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 24, 1943.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Gentlemen, we are ready to proceed. This morning the gentleman who is going to appear before the committee is Mr. J. F. Singleton who looks after dairy products for the Dairy Products Board. He is a gentleman who has been in the department for some time, and I am sure is known to many members of the committee. If the committee is agreeable we will call Mr. Singleton now.

Mr. J. F. SINGLETON, Assistant Director of Marketing Services and Chairman of the Dairy Products Board, called.

The CHAIRMAN: I will introduce Mr. Singleton and I will ask him to outline his position and the job he is doing. Perhaps he will be able to begin with a general statement as to the activities he carries on in connection with dairy products, and the committee will have an opportunity of asking questions on matters that are not brought out in his statement.

The WITNESS: Mr. Chairman and gentlemen, as many of you know in peace time I was an officer in the Department of Agriculture attached to the dairy division. What you are particularly interested in, as I understand it, is the work of the Dairy Products Board. Now, the first agreement between the governments of the United Kingdom and Canada with respect to dairy products covered cheese from the production of the year commencing the 1st of April, 1940, to the end of March, 1941. With respect to dairy products all these agreements providing for various quantities of cheese and evaporated milk have provided for a minimum quantity from the production of the fiscal year. Of course, the prices are also specified. The first agreement was completed in 1940 covering the sale of 78,400,000 pounds of cheese from Canada to the British Ministry of Food from the production of the year commencing the 1st of April, 1940, and ending the 31st March, 1941. One of the first clauses in the agreement was that the dominion government would establish an agency or board to undertake the export of available cheese in accordance with the provisions of this understanding, and pursuant to that a Dairy Products Board was established by order in council dated the 23rd day of May, 1940. The personnel comprised J. F. Desmarais, then General Manager of the Cooperative Federee de Quebec; John Freeman, Managing Director of Lovell & Christmas (Canada) Limited, Montreal, of which the head office is in London, England. They do an international business. This gentleman serves without pay. The present speaker was appointed chairman of the board. Dr. H. A. Derby, of the staff of the dairy products division, was later appointed secretary to the board by order in council.

The board, following somewhat the precedent for handling export of dairy products in the previous great war, established an office in Montreal, got space in the Shaughnessy building there, and Mr. Freeman devotes practically full time to the work of the board. He is in at 10 o'clock in the morning and is there each day until at least 4 o'clock in the afternoon, except when he is out at lunch, and very frequently he is there until 5 or 6 o'clock, and he is doing all that without remuneration.

Now, powers were conferred on the board by the first order in council of the 23rd May, 1940. Possibly I did not make myself clear; there were two orders in council, one establishing the board and conferring certain authorities on the board and the other was on the same date, 23rd May, and named the personnel of the board. Those powers have been widened from time to time, and are considerably wider than have ever been utilized, I should say. I have already said that the first contract covered the production of 78,400,000 pounds of cheese from the end of the fiscal year 1940-41, and the price fixed was 14 cents per pound basis first grade on board ship or car, Montreal. The cheese that year largely went out by ships from the port of Montreal. Shortly after the contract was completed, the Ministry of Food stated that they were anxious to secure the greatest possible quantity of cheese from Canada and would accept any excess over the amounts specified in the contract, namely, 78,400,000 pounds, and when the year was completed actually 93,081,234 pounds had been shipped with a total value of \$13,009,758.71. Now, if that does not figure out exactly at 14 cents it will be for the reason that the 14 cent price applied to first grade cheese, and there are rather negligible quantities of second and third grades with differentials of one-half cent less for seconds and 1 cent less for thirds.

The next fiscal year, 1941-42, the contract quantity was 112,000,000 and the price to be paid by the ministry in England was 14.4 cents. The Canadian government supplemented that 14.4 cents to the extent of six-tenths of a cent per pound, making the price 15 cents on board ship at Montreal down to the 25th day of May, 1941. On the 26th day of May an order of the board requisitioning the cheese produced in Ontario and Quebec became operative. Something like 95 per cent of the cheese produced in Canada is produced by those two provinces. When the board issued the requisitioning order it was felt that the contract quantity was fairly large, and the object of the order requisitioning the entire make was to get a good start, and the board debated at some length whether the term of that requisitioning order would be four weeks or five weeks or six weeks, and finally came to the conclusion that owing to the possibility of some inequality in shipping that it might be necessary to discontinue the order before the date fixed, if a date were fixed; so that consequently it was simply an order requisitioning the cheese made on or after the 26th day of May without any date of termination having been specified. As time went on shipments were moving satisfactorily, and if you will remember the weather became rather dry, and the order continued in effect. As we got further into the season it became quite clear that the market in Canada was somewhat short and if the requisitioning order were rescinded the domestic price would go so much above the export price that the quantity contracted for could not be fulfilled, so it was considered advisable to keep the requisitioning order in effect, and it stayed in effect down to the 31st day of October, 1941. When the cheese were all in, 115,393,000 pounds had been realized against the contract of 112,000,000 pounds with respect to the fiscal year 1941-42. I do not believe I made the point clear that after the requisitioning order went into effect the price was supplemented to the extent of 1 cent. The contract price was 14.4 cents and the Canadian government supplemented that by six-tenths of a cent per pound down to the 25th May including the cheese made on that date. When the requisitioning order came into effect it was supplemented again another cent making the price 16 cents on board ship.

The CHAIRMAN: Who paid that other cent?

The WITNESS: The dominion treasury.

By Mr. Senn:

Q. That did not include a bonus for No. 1?—A. No, sir, that is entirely apart from the quality premium.

By Mr. Soper:

Q. When did that quality bonus come in?—A. The 1st of June, 1939, I think. The minimum score for first-grade cheese is 92 points. No premium for quality is paid on first-grade cheese of minimum score, but on cheese scored as 93 points, the premium is 1 cent per pound and on cheese scored 94 or more points it is 2 cents.

Mr. SENN: What percentage of the cheese is No. 1 and what percentage is No. 2?

The WITNESS: If I were making just an off-hand remark—

Mr. SENN: State it roughly.

The WITNESS: Around 95 per cent.

Now, with respect to 1942-43 the contract quantity was 125,000,000 pounds and the price was 20 cents on board ship or car, Montreal. It was on that basis. If it went out from the winter ports of Halifax and Saint John the price was 20 cents on board car at Montreal for railing to Saint John or Halifax. Against the contract 127,172,543 pounds were secured of a value of \$25,395,205.36. The make of cheese in Canada, the production, was greater in 1942 than it has been during any year since about 1910. Statistics of production between 1910—which was the census year—and 1915 when the Bureau of Statistics started collecting this information, are not available, but apparently it was around 1910 since we have had such a great make of cheese as we did in 1942. 127,000,000 pounds were secured for the Ministry of Food, and a small quantity went to the United States and at the close of the calendar year we had in Canada about 36,000,000 pounds of cheese which was equivalent to nine months' domestic requirements. The position was becoming tighter in the United Kingdom and Canada was asked if a further quantity of cheese could be provided from the stocks in Canada and about the middle of January or the 20th of January, 1943, a requisitioning order was issued requiring delivery of a percentage of cheese held in Ontario and Quebec by those holding more than a stated minimum quantity, and under that requisitioning order 14,872,842 pounds of cheese were provided or secured, making the total for the whole year 142,045,385 pounds.

By Mr. Soper:

Q. What quantity went to the United States?—A. About 7,000,000 pounds.

Q. At what price?—A. That is not a matter of public record. I do not really know, because it was not within our control. It was simply private trading, and the vendor or seller in Canada would make application for authorization to ship to the States and authority was granted, until it became clear that Britain was going to require more cheese.

By Mr. Senn:

Q. Do you know what the grade was that went to the United States?—A. I could not say, Mr. Senn, but I would say that in a general way Canadian firms selling cheese to the United States sell first-grade cheese, and if they can secure it, a 92 score cheese is what is used against the order.

By Mr. Ross (Middlesex):

Q. Have you the import figures?—A. Our imports of cheese from the United States are rather negligible.

Q. Does not fancy cheese come in?—A. Not very much from the United States. I have not got the figures here, but we are not importing cheese from the United States—I mean cheese produced in the United States—except,

perhaps, one or two shipments of Swiss cheese. I think that is generally correct. Most of the cheese we have imported from the United States has been Argentine cheese, blue vein variety and other special types.

Q. You have not got the importation figures?—A. I will look it up.

Mr. McNEVIN: Could we not withhold our questions and proceed in a more orderly fashion?

The WITNESS: In 1942 we imported from all sources 858,426 pounds of cheese. It is rather negligible. That is understandable. The importation is of varieties which are not produced in quantity in this country—many of them are not produced at all. These are the fancy varieties and the higher priced varieties.

Now, with reference to evaporated milk under contract, it was handled in a little different manner from cheese in the first year, and really three orders were placed. The first order was filled and then the Britishh asked for a second order and then a third, and when the year was completed we had sent to the United Kingdom 751,362 cases of evaporated milk. That is the unsweetened condensed British standard which has a little higher fat content than the Canadian product. The legal minimum fat content for domestic requirements is 7·8 per cent and in the United Kingdom it is 9 per cent, but there is a further provision in the United Kingdom standard that it be equivalent to two pints of 3·5 per cent milk which means that in actual practice the fat content of the British standard milk is around 9·1 per cent. The price that year was \$3.75 per case. For the fiscal year 1941-42 the contract quantity was 658,000 cases, and actually 643,659 cases of Canadian milk were delivered against that, some 15,000 cases short, which is accounted for in part by the fact that some milk was exported with the approval of the ministry to other destinations—for the navy, army and air force institutes, which is a British military organization operating canteens, and there was a little milk which was not produced in Canada, which was in Java, just immediately prior to the Japanese bombing Pearl Harbor, and the British government agreed to take that over and give Canada credit for it against the contribution of the Canadian firm, which was a subsidiary of a firm in the United States that had packed the milk. Canada got credit for 15,000 cases of milk in that way.

The price was \$4.12½ cents in eastern Canada, \$4 in British Columbia, and the explanation of the difference is that in the first year the Eastern milk was put in fibre cases. They did not prove satisfactory and during the second year the Ministry of Food requested that wooden cases be used and the wooden cases were cheaper in British Columbia to that extent, and that arrangement was satisfactory.

By Mr. Cruickshank:

Q. What were those figures again?—A. The price for 1941-42 was \$4.12½ per case for eastern Canadian milk, basis f.o.b. ocean steamer in Canadian port—the processor would be paying the freight to Halifax and St. John if it went out that way. The Vancouver price was \$4 f.o.b. ship or car New Westminster or Vancouver, and the differential was due to the difference in cost of wooden boxes, the use of which was compulsory in 1941-42 and was not in 1940-41. The eastern processors used fibre boxes in 1940-41, British Columbia did not do so.

In 1942-43 there was a contract for 668,000 cases, and 668,402 cases were delivered. Each of these cases contained 48 tins of milk with a net content of one pound, 48 pounds of evaporated milk per case.

Now, last year the '42-43 contract price was \$4.45 per case basis Montreal in the east and \$4.32½ per case basis f.o.b. Vancouver or New Westminster in the west. The contract is not signed yet this year, but the terms of the agreement

are pretty well settled and it is anticipated the agreement will be completed within a very few days. The quantity will not be as great this year; in fact, it is anticipated at the present time it will be somewhat less than half of what was sent last year.

By Mr. Leger:

Q. What would be the reason?—A. Increased requirements at home. For instance, the Alaskan highway, and the northern Alberta area are requiring great quantities of milk, and developments in other areas where milk production is not sufficient for domestic requirements, and possibly there are other factors as well. There has been a decided increase in the per capita consumption of evaporated milk in Canada since the outbreak of the war, which is somewhat contrary to the experience in the United States.

That very briefly covers the work of the board in so far as these contracts are concerned.

The board has performed other work; for example, in 1941 the board administered the provisions of order in council which fixed minimum prices for butter, and while it was not necessary to buy butter to support the market, the board stood ready to do that if it should have been necessary.

By Mr. Evans:

Q. Does your board handle subsidies?—A. On milk?

Q. On butter.—A. No; it is not the function of the board to do that. The Agricultural Food Board, on the recommendation of which the subsidies were legalized by order in council, is not an administrative body. The procedure is for the applicant for subsidy, let us say, on butter, to make out an application form and send it to the chief dairy officer of the province in which the creamery is located. He checks it and sends it direct to the treasury office and if the application is all in order the cheque is issued. It is only referred to the dairy division of the department, if the application seems to be inaccurate or some explanation is required; so that except in such cases the dairy division is not handling them at all.

A year ago it seemed advisable to restrict the volume of ice cream which might be produced. That was increasing very, very rapidly, and it was quite clear at the time that there would be a short supply position last winter in connection with butter, so that the Dairy Products Board issued an order restricting the volume of sales of ice cream on a quarterly basis commencing with April, 1942 to the quantity sold during the corresponding quarter of the previous year. That was continued throughout the twelve months to the end of March, 1943. There were exemptions provided in the order. For instance, canteens within military bounds operated by the military authorities might buy all the ice cream they wished for the people in uniform. But vendors operating their own freezers and located outside the bounds of the military establishment could not sell more than they sold during the corresponding period of the previous year; and the reasoning back of that was that the commanding officer could sign for what was received and the report could be thoroughly checked.

By Mr. Fair:

Q. Is that quota still in effect?—A. That quota is still in effect with this exception, rather than try to regulate all the manufacturers of ice cream in the country as during the first year, it is now regulated on the volume of mix which may be made. There were about 1,000 manufacturers of ice cream—We had about 1,000 of them, counter freezer operators and larger manufacturers making their own mix, and some smaller ones.

By Mr. Leclerc:

Q. You passed the buck to the ice cream industry?—A. Yes, in the first place. They were what Mr. (a dealer) in Montreal used to say were the policemen of the Act.

Q. What about the military camps that had established either a canteen or a club outside?—A. Military bounds?

Q. Yes.—A. He is not exempt. Now, we pass on. We were regulating only the licensed manufacturers of ice cream last year, but actually practically all this mix that was frozen came from about 275 or 280 manufacturers of mix, and a gallon of mix is equivalent to about two gallons of frozen ice cream. So commencing with the 1st of April, 1943, the method of control was changed from restriction of volume of sales of frozen ice cream to restriction of volume of mix which might be made, and it secures the same results with a lot less work to administer it in connection with, say, 275 or 280 people instead of 1,000.

Hospitals also are exempt. A hospital for civilians or the military people can buy all the ice cream they want; there is no restriction on that and there has been a rather remarkable increase in the sales of ice cream to those exempted outlets. Up to March 1943 these sales have increased by about 590,000 gallons over the previous year.

By Mr. Rickard:

Q. Is it going to be necessary to continue this curtailment?—A. For civilians? Oh, I would think so. I do not see anything to indicate it would be otherwise, although conditions may change very rapidly.

Originally the Dairy Products Board initiated control of exports and of imports of dairy products. Later on the Export Permit Bureau was established, and all those individual controls which have been exercised by various departments were concentrated in this Export Permit Bureau, which is attached to the Department of Trade and Commerce. The procedure is now that if it is desired to export dairy products the exporter makes his application to the Export Permit Bureau and the Export Permit Bureau refers him to the Dairy Products Board and if they approve from the standpoint of supply only, that is all the Dairy Products Board's approval is based on, then the Export Permit Bureau itself completes the approval of the application.

A few moments ago I referred to action of the board in connection with administration of minimum prices for butter during the six months, May to October, 1941. There were no such minimum prices fixed for 1942 for the reason, that the make was relatively small and the market remained very close to the legal maximum price throughout the entire production season. Minimum prices have been established for this year. In December 1942 when rationing of butter was announced an undertaking was given that the market would be supported on a basis of the ceiling price of 35 cents delivered Montreal or Toronto throughout the period, from the time of the commencement of rationing to the end of April.

Now, the market supply was short, the market stayed at the ceiling of its own free action until well on in April. In the meantime minimum prices had been established effective the 1st of May. The undertaking had been given that the market would be supported at 35 cents to the 30th of April and the legal minimum for the 1st of May, the next day, was 32 cents. There was a possible drop of 3 cents a pound overnight. Actually no such drop occurred because the supply position did not warrant it, and the supply position was tight in part for the reason that during the last few days of April dealers in butter tendered to the Dairy Products Board whatever they could spare and take care of their trade up to the remaining days of April and the first two, three or four days of May, until they could get additional supplies.

By Mr. Leger:

Q. Was that 32 cents a pound to the farmer?—A. That was the minimum price delivered to Montreal or Toronto or any market in Ontario or Quebec or British Columbia, 33 cents minimum price delivered to any market in the maritime provinces, 30 cents delivered to any market in the prairie provinces. That was the schedule.

By Mr. Fair:

Q. Was there any drop at all in this?—A. Yes, there was a drop, but the market has been consistently ahead of the minimum prices. Then, the minimum price advanced three-eighths of a cent each month. For instance, in Ontario and Quebec during this month the minimum was $32\frac{3}{8}$ cents; actually the market in Toronto yesterday was $32\frac{3}{4}$ to 33 cents.

By Mr. Wright:

Q. What is the freight rate from Saskatchewan and Alberta to the eastern markets?—A. I cannot give you all the rates, but the freight rate would depend on the point from which shipment is made. From Saskatchewan I would say that the freight rate would average, $2\frac{3}{4}$ cents to 3 cents per pound; it would be more than that from Alberta coming east. The natural market for the Alberta surplus is British Columbia.

By Mr. Leclerc:

Q. Did you say to Montreal or Toronto?—A. The freight rate is the same, there is no difference.

Q. Coming back to the question of butter, the situation is very much improved this year over last year. What is the intention of the government; should we have a surplus; will the government release this quota or export it?—A. Well, the Dairy Products Board stands prepared to buy butter at any time that the manufacturer cannot realize the legal minimum price in the province manufactured. Your question is what is going to be done with it?

Q. Yes.—A. It is not decided yet, Mr. Leclerc, there has been no arrangement made.

Q. You see from month to month that production is increasing so much that we are going to have a surplus at the end of the year and it is not customary to keep butter from one year to another.—A. Well, presumably it will be disposed of. I am not in a position to say what the government may do with it when the situation arises.

Q. At the 1st of June we had 8,000,000 pounds more butter than we had last year.—A. Yes, last year we were very short. The situation is confusing because of the subsidy. The subsidy has resulted in more creamery butter being made than was formerly and less farm butter, with the result that the creamery butter position is better than it was a year ago and the dairy butter is less, and it is the extent to which that diversion has occurred which has caused confusion in the whole picture. There is an increase in the make of creamery butter, but there may be not as much increase in the two combined as you would think. It is a fact that less dairy butter is being produced and more creamery butter being distributed and consumed.

By Mr. Ross (Middlesex):

Q. Before we leave milk and milk products, may I draw Mr. Singleton's attention to a rather important statement which is included in this book "Objectives for Canadian Agriculture in 1943" under the heading of "Contemplated Milk Products." The statement I refer to is as follows:—

In the case of condensed milk the loss of certain important markets in the Far East has resulted in a decrease in the total demand for this product and consequently a reduction of about 27 per cent from the 1942 output has been called for in 1943.

Can you enlarge on that to some extent?—A. Well, prior to the Japanese entry into the war we exported important quantities of sweetened condensed milk to such places as Hong Kong, Shanghai, Burma, and the Dutch East Indies. That market is lost.

Q. When was that market cut off?—A. I think Pearl Harbour was bombed on the 7th of December, 1941.

Q. This is 1942.—A. That was prepared—

Q. It says: "... a reduction of about 27 per cent from the 1942 output has been called for in 1943."—A. That was prepared about November, sir, 1942, and it has not been entirely borne out by the facts. Production of sweetened condensed milk in the four months ending April 1943 was 1,191,000 pounds, and during the four months ending April 1942, 1,934,000 pounds. There has been an increase apparently in the domestic consumption of the product, but for eastern markets have been lost, for the time being at any rate.

Q. That covers all the markets that were lost?—A. It is that area there which is under Japanese influence; and the British Ministry are not buying any sweetened condensed. There is a high sugar content in the sweetened milk, and that may have had some effect too. I believe also that the quantities that have been available in the retail stores are limited. There is something like 40 per cent of sugar in the sweetened condensed milk.

By Mr. Tustin:

Q. Just before you leave butter: early in the spring, around the 1st of April, there was a great deal of concern among the creamery men that there was going to be a loss in butter, they had so much piled up and there was no storage space for it; was there any loss on that account, or, did the Dairy Products Board purchase the surplus on hand at that time?—A. I think that fear arose early in the year, shortly after the initiation of rationing. As far as I know, there was no shortage of storage space; and when the report had become common that the product was backing up we made a rather thorough survey in the areas from which these reports came; or, the area in which it was said to be accumulating. As far as we could ascertain what did happen was that the manufacturer might have been selling all his product in the form of prints to retailers, and when rationing came in these customers, retailers whom he supplied, could not buy as much as formerly. One of the results of rationing was to distribute the supplies more uniformly. Now, the manufacturer had to find other outlets for that part of his butter, and that generally meant packing it in solid pack and shipping it to some market outside his usual marketing areas. Now, that change from packing prints and selling them to the retailer to packing solid and selling to a wholesaler in another city, was opposed or resisted by some of the creamery men and a surplus of prints accumulated in their places. Following that, nine brokers in the city of Toronto sent a letter, a joint letter, signed by all nine brokers, stating that they would guarantee for first grade butter 35 cents delivered Toronto; and those firms whose product was backing up started packing solid and sending it into the central market where it was urgently required. That enabled them to dispose of the stock they had on hand. Our office could not verify a single instance of good butter having been spoiled.

By Mr. Dechene:

Q. What has happened to our whey butter, has it all moved out?—A. I do not believe it has, but I understand action is being taken which will I think perhaps fully relieve the situation. I do not feel justified in saying what it is because it is under another authority.

Q. Well, what about the value of it?

Mr. TUSTIN: I notice in the press today that it is being released at the rate of one pound per one coupon.

The WITNESS: That answers your question then, Mr. Dechene.

Mr. DECHENE: Yes, but that really belongs to the farmer.

The WITNESS: Oh yes.

Mr. DECHENE: Most people put a wrong construction on that.

The WITNESS: So does all the cheese belong to the farmer.

Mr. DECHENE: Not so much as the whey, that is taken out of the actual whey.

The WITNESS: I know, but the cheese is taken out of the milk in the first place. The farmer owns the milk. The factory does not own the cheese.

Mr. DECHENE: But the farmer does not get back any of the whey or what is left from the cheese.

The WITNESS: The cheese factories, as constituted in Ontario, nearly all operate on a commission basis. Ownership of the product remains vested in the farmers collectively until it is sold. When a cheque comes back, the usual practice is to deposit it to the credit of the treasurer—he is an officer appointed by the milk suppliers, and it is distributed among them.

By Mr. Tustin:

Q. Just on that point: occasionally one hears complaints that the farmer is not now entitled to purchase a piece of his own cheese from the factory; is that a fact?—A. I received a lot of letters on that very point, because it takes quite a while to get an order gazetted and distributed. Just yesterday I received this order which is dated the 14th day of June—it is an order of the Dairy Products Board and reads as follows:—

“Order No. 57

The Dairy Products Board hereby orders:—

That notwithstanding the provisions of order No. 56 of the Dairy Products Board, any cheese factory in Ontario and Quebec may sell cheese made on and after 1st June, 1943, to those supplying milk to the factory during the month in which such sales are made, provided:—

- (a) that the quantity of such cheese sold to all milk suppliers of any cheese factory during any calendar month is not greater than the quantity sold to all milk suppliers of the factory during the corresponding month of the previous year;
- (b) that such cheese sold to any milk supplier is solely for the consumptive requirements of the supplier and members of his family or others who habitually reside with the milk supplier;
- (c) that the secretary of the factory keeps accurate records showing particulars of all such cheese so sold, which records shall be open for inspection by any person designated by the board.

That should remove any legitimate complaint.

Q. The farmer who was not able to buy last year will be able to this year.
—A. Yes, that is the object of this order.

By Mr. Cruickshank:

Q. Do you have anything to do at all with setting up the subsidies on fluid or evaporated milk?—A. Our department?

Q. I mean the branch that you are representing here to-day.—A. No; except that I am a member ex officio of the agricultural food board regarding which Dr. Barton has already given you evidence.

Q. Well then, Mr. Chairman, may I ask another question along this line? I have tried to get this information from other gentlemen who have appeared before us and I intend to keep on until I get an answer. Now, if that is true,

you must have something to do with the subsidies. And now, what I want to arrive at is this; what do you take into consideration in making your recommendation that a subsidy should be paid on certain products? Does the cost of production enter into it?—A. I assure you that cost of production enters into all of these things; but we have got into a position where it seems to me at any rate it is a question of how essential is a certain supply, and what price is necessary to get that supply.

Q. In other words— —A. It goes further than that, and it is a question of getting the proper relationship between returns from the various products.

Q. In other words, in arriving at a subsidy you are not concerned with the farmer's cost of production, you are concerned only with supplying the market. —A. I would not say that.

Q. Well then, what would you say?—A. I would say that the starting point of this is pretty much the cheese contract, the price that might be obtained for that; and then, the other products are more or less related to that.

Q. You would arrive at your settling rate for fluid milk on the basis of the cheese prices?—A. No. I had in mind the manufactured articles about which we have been talking—such as butter.

Q. All right. Then I will take the manufactured articles in this case—on what basis do you arrive at the amount of the subsidy on your evaporated milk, do you use the cheese price?—A. It would be first of all on that basis, yes.

Q. And not on the cost of production?—A. Well, of course, the cost of production enters into all of them.

Q. You take into consideration in arriving at the subsidy the cost of production?—A. Certainly it is a factor.

Q. Is that on a national basis; or do you take actual cost of production? —A. Oh well you cannot take any actual cost of production for there is no such thing. You get the amount of the commodity required and then you investigate—

Q. Well then, as I understand it, you make no distinction with respect to the cost of production as between the various provinces?—A. That is what I say; there can be no true average; that is true not only with respect to the different provinces, but between individual farmers as well.

Q. What I am trying to arrive at, do you arrive at your estimated cost—what consideration is given to the cost of production in arriving at your subsidy; do you arrive at that by provinces, or on a national basis?—A. Oh well, it would be on a national basis, of course.

Q. All right then, well— —A. Your province I understand is British Columbia?

Q. Yes.—A. You are probably 17 to 20 million pounds short of your butter requirements which must be imported from another province.

Q. I realize that, but in arriving at your subsidy in the case of evaporated products, do you show a difference in the quality, in the cost of production of milk for the fluid market and for the evaporated product?—A. I do not just follow you.

Q. Well, let us take two 10-gallon cans of 3·5 milk coming from the farm.—A. Yes.

Q. And one can of ten gallons is going into the fluid trade and one can of ten gallons is going into the evaporated milk trade; do you recognize the fact that those cans cost an equal amount to produce?—A. I would say that that principle is not recognized in a national way; that is the value of the product which is made from the milk will determine to some extent the price that can be paid for it.

Q. That is what you take, you do not take into consideration the fact that the cans of milk cost exactly the same to produce?—A. I would say from the national standpoint absolutely not. You go right out in this city here (Ottawa);

the consumption of milk in Ottawa has increased very greatly during the past six or eight months. Now, the city milk market is considered a preferred market in this area with the result that this is void or vacuum—extra requirement of milk in Ottawa—is coming to a great extent to-day from milk which formerly went into cheese because it is more profitable that way in this area. It does not cost any more to produce—it may cost just a little bit more there may be some improvement necessary with respect to sanitation of buildings and there may be some little improvement in the grade of milk; but mainly the cost is not greatly different.

Q. That is what I am trying to arrive at Dr. Singleton.—A. I am not a “doctor” incidentally, Mr. Cruickshank.

Mr. CRUICKSHANK: Well then I will promote you for to-day.

By Mr. McNevin:

Q. Before we leave that point, if we are going to ask questions now; is it not generally recognized that in the supplying of milk to the retailer in the urban centres that milk does require considerable more attention in going to that market?—A. I would say that it not only requires additional attention, but ordinarily there is inspection by municipal authorities of the premises.

Q. And it is more expensive?—A. It is more expensive; in that, very often a man supplying a city market is on a quota basis and he is obligated to produce minimum quantities during the winter months at higher cost of production; and the cheese business for example, does not get as high a return as perhaps shipping milk to the city trade does, but it is practically all produced from natural grass.

By Mr. Cruickshank:

Q. I would like to follow that question up because it is of vital importance to our province, at least to my part of it. Am I to understand that it cost more to produce 3·5 milk (I am using that as a standard, 3·5 milk) for consumption in the city of Ottawa than it does to produce 3·5 milk for consumption in the evaporated market?—A. The evaporated milk man is not tied into any contract to produce a minimum quantity.

Q. I can understand that?—A. You can understand that—I was raised on a farm and I have done a lot of milking and could do it again if I had to—but the man producing milk for concentration purposes is not tied into any contract to produce a specific minimum quantity of milk during the season of scant production and he is in a different position from the man who is producing milk for other purposes; at least, I believe that to be so. I am told by those producing milk, that the man producing fluid milk for the city trade has to so arrange his operations to have some of his cows freshen in the fall and I understand that is a somewhat difficult procedure; and that the whole position is more delicate if that is the word; in other words, it takes a more highly skilled man successfully to produce milk for the city trade and comply with the general requirements than it does to produce milk let us say for the cheese factory price where the peak of production is during the months when the cows have plenty of natural grass.

Mr. CRUICKSHANK: I would like to follow that up, because in this particular committee I am asking this question on instructions from 4,500 dairy shippers in one organization, one of the largest dairy organizations in Canada, in my riding.

Mr. BLAIR: Could we not have him go ahead and finish his lecture and then ask questions?

Mr. CRUICKSHANK: I understood everybody else was asking questions and I thought this is the time for me to proceed with mine. As a matter of fact, I thought Mr. Singleton had finished.

The CHAIRMAN: I do not think he has finished, but go ahead with your question, Mr. Cruickshank.

By Mr. Cruickshank:

Q. I think, Mr. Chairman, that I have just as much right in this committee as some of these other members who only represent a mere handful of cows. We are convinced that it cost just as much to produce milk for the evaporated product as it does for the fluid market. And now, I understand that it is the opinion of your board that the cost of production is not equal and I want to follow that further. Does your board have anything to do with setting the prices, and the proceedings wherein the milk is distributed nationally at 12 cents a quart and somebody pays 2 cents a quart to the distributor—A. I am entirely innocent this time.

Q. Now, there is another question to which you referred there and in which I am interested: you referred to a price of \$4.12 at Montreal and \$4.00 f.o.b. Vancouver on evaporated milk, and also I believe a later price of \$4.25 and \$4.22—there was a differential in that of 12 cents one year and 13 in another year, a difference in price as I understand.—A. It was 12½ cents each time.

Q. I understand that was on account of the extra cost of the boxes in the East, is that right?—A. Yes.

Q. I want this made clear; that is not the total cost, that is just the extra?—A. The extra, yes. As I said when I was speaking of this earlier, during the first year when the price was \$3.75 east and west the British Columbia packers used wooden cases because they were cheapest and most convenient and the eastern packers used fibre cases and were obligated under the second contract to use wooden cases made in accordance with specifications provided by the British Ministry of Food. That increased the cost to the eastern packer for the cases by some 10 cents or 15 cents, and 12½ cents was the compromise recognized.

Q. That is, your board had nothing to do with—I may be asking the wrong one, Mr. Singleton—I think you will appreciate it is very difficult to follow all these different boards and organizations which are concerned with price setting. Have you anything to do with order 238?—A. I do not know what it is; is that a Wartime Prices and Trade Board order?

Q. Yes. You have nothing to do with the setting of the prices that the wholesaler can pay for milk?—A. No, I have nothing to do with that at all.

Mr. FAIR: Am I justified in assuming, after listening to the discussion which has taken place between Mr. Cruickshank and Mr. Singleton, that the price of the finished product, for instance cheese or butter, is not based entirely on the cost of production?

Mr. DOUGLAS (*Queens*): It never was.

Mr. CRUICKSHANK: Apparently it has nothing to do with it.

Mr. FAIR: Then I am wondering, Mr. Chairman, why agriculture and agricultural products should be taken out during wartime and some arbitrary prices be placed on it which bears no relation whatever to the cost of production, because in the case of shipbuilding, airplane building, and guns, shells and those sort of things, we find that the cost is entirely figured on and a certain per cent is based on that cost and allowed to the manufacturer. Where in the world is the farmer picked out in these circumstances to be the goat for the rest of Canada at a time when we are at war. I think everyone will agree that the farmer after all directly or indirectly bears the cost of all taxation in this country. I think that either we in this committee, or the house in general, should deal with this because we in the farming industry have been subjected to this injustice for a long period of years—

Mr. CRUICKSHANK: Always.

Mr. FAIR: Always, yes; and until this injustice is removed I do not think we can have the unity in Canada that we should have as well as the prosperity because, after all, prosperity in Canada is based on prosperity for the farmer.

Mr. LAFONTAINE: Do you mean to say that the farmers are not making any money to-day?

Mr. FAIR: I say they are not treating him fairly in comparison with other people.

Mr. LAFONTAINE: Are they not making an money?

Mr. FAIR: Some of them are and some of them are not.

Mr. LAFONTAINE: Those who are not do not deserve it.

Mr. FAIR: Every farmer deserves a good living.

The CHAIRMAN: Gentlemen, please come to order. This record is being recorded. I do not know whether it is the desire of this committee to have Mr. Singleton continue and complete his statement or whether it is the desire of the committee to have the discussion now; but I might say that when a discussion goes on between individual members of the committee it is impossible for the rest of the members to know what is being talked about and it is equally impossible to have the record taken down properly. Now, is it your wish that Mr. Singleton should continue with his statement?

Hon. MEMBERS: Continue.

Mr. McNEVIN: I certainly desire to abide by the decision of the chair, and I want to see the work of the committee facilitated; nevertheless, the matter is down on the record now, and before Mr. Singleton proceeds I wish to make one observation. Consider, for example, the question of butter—because I understand Mr. Fair to state that no consideration at all was given to the matter of price—I want to state that under the Wartime Prices and Trade Board the price of butter was set down at 35 cents. That was not deemed to be sufficient to remunerate the farmer for the work and the cost and the expense entailed in the production of that butter, therefore through the winter months a bonus of 10 cents a pound was paid and for the summer months 8 cents a pound was paid in order to bring the returns of the farmer who is producing butter more nearly to an equal basis with other workers and other interests throughout the country; so that it is entirely unfair to state that no consideration has been given to the needs of the farmer who happened to be producing butter.

Mr. FAIR: In reply to that statement may I state here that if that bonus is given it is only given to those farmers who deliver their cream to the creameries.

Mr. McNEVIN: Right.

Mr. FAIR: In a large unnumber of cases there are farmers who are so situated that they cannot deliver their cream to the creameries and they are compelled to make the butter at home or they have to deliver their butter in a great many cases to the grocery store and they are denied the right to that bonus. Again, for the information of the committee, let me state that in a large number of districts since that bonus was paid we had a drastic cut in the grades of cream. That may or may not be known to those in charge of the matter, but if it has not been known to them let it be known now, and I suggest that the grades be checked, because I know of different instances in the west where farmers have shipped to one creamery and changed to another creamery and received a very marked increase in their cheques for the same kind of cream. Possibly, that might be worth looking into.

The CHAIRMAN: Now, shall we proceed with the witness?

Mr. CRUICKSHANK: Mr. McNevin has made a statement which is contrary to that which was made by Mr. Singleton and which is contrary to the situation in British Columbia. There is no bonus paid on evaporated milk, and we do not make cheese. There is no bonus paid between May and October on evaporated milk. To say that the farmer is being paid according to his cost of production is utter nonsense.

Mr. McNEVIN: I was discussing the butter situation.

Mr. FAIR: I tried to point out yesterday that we should consider this question on a national basis and not discuss it within the limits of our own backyard. That is what I am trying to get at. While this policy is possibly satisfactory to a number of members of this committee there are a number of others to whom it is unsatisfactory, and I think we should give consideration to a Canada-wide basis rather than to the basis of what happens on somebody's farm.

The CHAIRMAN: I do not know that we know how the policy is working out. Perhaps we could get that information if we could get to the point where inequalities, if there are any, come into the question, and then perhaps we could make some suggestions as to remedies.

The WITNESS: Mr. Chairman, I think I should say that I did state that in a general way the cost of production was a factor. I do not think there should be any impression that I said it was based solely on other factors; I said a factor.

Now, with respect to this question of the grading of cream, that is a provincial responsibility, and every province in Canada has men whose duty is to do that checking. We have no responsibility in the matter. I cannot say to what extent it is done or how efficiently it is done.

Mr. HATFIELD: Do you not think we should have a national uniform grade?

The WITNESS: The grade standards for cream are fairly uniform but matters concerning the establishment of new cheese factories or creameries, sanitary requirements, certifications of the makers, and efficient operation, have all been deemed to be provincial functions and their attentions are directed at all times to that work. We are not doing it.

By Mr. Senn:

Q. Why should we single out the dairy industry in that way? Eggs are a national matter, a federal matter, and so is the grading of hogs and the grading of feed and the grading of almost everything else; but why do we single out dairy products? There may be a reason for it, but what is the reason?—A. I am not going to attempt to answer Mr. Senn. That is the practice. It was decided in conferences between the ministers of the departments and the various provincial ministers and federal ministers many many years ago, probably over thirty years, and it has worked pretty well.

Mr. McNEVIN: I suggest that Mr. Fair see the provincial officials of the Department of Agriculture in Alberta.

The CHAIRMAN: Now, I am afraid we are going to get into another cross-fire discussion, so I am going to ask Mr. Singleton to carry on.

The WITNESS: When I was speaking before on this matter I think I was dealing with the control of exports and outlined how that was handled. We also control imports direct through our board. The would-be importer makes an application to our board and if it is in compliance with all the requirements an import permit is granted and the importation takes place.

That covers the work of the board, except its continuation of the support of the butter market which I described as having taken place during the early days of April. The markets since that time have remained at levels above the legal

minimum price. Should the market go down to the legal minimum and should any manufacturer of butter have difficulty in selling his butter the Dairy Products Board will be prepared to buy it, and the disposition of it after it is bought will no doubt be decided by the government. That is a matter of government policy.

By Mr. McCubbin:

Q. Are you not asking the creameries to store their butter better than they did?—A. Are we not?

Q. Yes.—A. We are not asking any creamery to store their butter.

Q. No, but put it in better boxes?—A. If we buy butter it must be butter that is suitable for export, and it must be graded, and the requirements are that export butter must be in new boxes—not previously used—and double lined.

Mr. SOPER: Let us follow up the cheese price there and the price in 1942, 20 cents f.o.b. Montreal. This year we have an adjustment.

The WITNESS: Yes, the price this year—I did omit that—is 20 cents factory shipping point, the quantity 150,000,000 pounds. It depends altogether on the cost of the freight movement from the shipping points to Montreal. Most of the cheese that originates east of the Prescott-Ottawa highway moves to Montreal at 22 cents per 100 pounds; cheese from Ingersoll costs about $\frac{5}{8}$ ths of a cent. That arrangement would mean an advantage of a quarter of a cent to the producer in eastern Ontario and in western Ontario and anything up to $\frac{5}{8}$ ths of a cent from far east of that in Quebec.

The CHAIRMAN: Have you anything further to add as a general statement?

The WITNESS: No.

The CHAIRMAN: The committee is free now to bring out further information.

By Mr. Senn:

Q. With regard to the question of price—and I ask this for information and not to be critical—I think you stated that the price per case for evaporated milk was \$4.45?—A. Yes.

Q. And you said that the price of cheese at the factory was 20 cents?—A. The \$4.45 for milk was for last year and the price of cheese this year is 20 cents f.o.b. factory shipping point.

Q. Have you any estimate showing that the prices returned to the farmer who sends his milk to the evaporation factory and to the farmer who sends his milk to a cheese factory are similar?—A. They have not to be similar. In the first place, only about 7 per cent of the evaporated milk produced in Canada is exported on this contract. The contract price is a rather negligible factor in determining the price that the producer of the raw milk will receive.

Q. If they all sold on that basis how would they compare?—A. The condensery price which is quoted is based on milk of 3.5 fat, where the cheese producer in mentioning his price usually quotes the average of the factory which may be 3.1 per cent, 3.2 or 3.3 per cent ordinarily those comparisons are on an improper basis.

Q. We will leave that for a moment. The price of cheese for this year is how much?—A. Twenty cents at the factory shipping point.

Q. And the quantity is 150,000,000 pounds?—A. Yes.

Q. I understand that there have been some representations by the cheese factories or by the patrons of cheese factories that the price is not high enough to warrant them continuing the making of cheese. I think several representations have been made. Has any change been made in that respect? I also understand that the figures regarding the production of cheese this year are

away down as compared with last year's figures. What are you doing about that matter, or has the matter been adjusted?—A. There has been no change in the price; 20 cents at factory shipping point.

Q. And do you think that is sufficient to warrant that you will get the quantity you require?—A. Well, I do not know whether we will or not.

Q. It does not look like it, does it?—A. It does not look like it, but there are other factors in connection with the matter which are commonly ignored. The first is that while our make of cheese during the winter—the past winter and spring months—has been away under what it was a year ago, the make of a year ago with which it will compare was abnormally high.

Q. Because of a higher price?—A. Twenty-five cents was the price. What happened was that we requisitioned all the cheese in 1941 down to the 31st October. The maximum price of 25 cents was fixed. The emphasis was on cheese. Stocks of butter seemed ample, and the effort was made to swing the milk into cheese, and we had a tremendous make of cheese. Last year the conditions were reversed. We were short of butter and at the close of 1942 we had nine months supply of cheese, and quite properly the policy last winter was to place the emphasis on butter.

Q. A question arose in the house as to the power of the board to direct factories to produce either cheese or butter or other milk products, and I think the minister stated that this was usually done, not by compulsion, but by argument.—A. Moral suasion.

Q. Has the board power in that respect?—A. In accordance with the order in council, it has the power. As a matter of practice, orders are not issued by the board without reference to the minister.

Q. I have another question to ask along that line. I notice in your order in council defining your powers that you have power to set minimum prices to the producer: "To fix the minimum price to be paid by manufacturers and exporters for dairy products." Does that mean to fix the minimum price which they shall pay to the producer? I notice that a similar clause has been inserted in the order in council setting up the new meat board?—A. Yes.

Q. Have you ever had to exercise that?—A. No, we have not exercised it.

Q. Do you think that the prices paid usually are satisfactory? I mean to say have you ever made a study as to whether the price at which you are purchasing these goods—cheese and evaporated milk, say,—from the manufacturer corresponds with price which he is paying to the producer?—A. Oh, yes, there have been surveys, but so far as the purpose of this board is concerned, in contracts, as I mentioned, you would have to go into a much wider field than export because export of evaporated milk represents only 7 per cent of production.

Q. If you found there was a wide spread between the price the manufacturer is getting and the price he is paying to the producer could you step in and rectify that?—A. We, apparently, would have that authority, but as a matter of practice those prices in your province are fixed by the Ontario Milk Control Board.

Q. That is only for fluid milk?—A. Oh, no, for concentrating purposes too. About a year ago they fixed a minimum price of \$1.95 per 100 on milk of 3.5 per cent.

Q. I want to point out one more thing before I sit down. There is, I think, a vote of \$1,500,000 in the war appropriation bill of this year and there was last year to allow you to buy butter to sustain the market?—A. Yes.

Q. Have you done that?—A. There was \$1,500,000 there but it is not there now.

Q. It was there again this year.—A. Most of that was used—a great part of that was used in supporting the market during the last days of April.

Q. I did not know whether that had been done or not. What disposal is made of that butter? How do you handle that?—A. The greater part of it is still in storage in this country, because it was accumulated at a time when a sharp drop was expected in the market and when supplies in Canada were not yet adequate and it was kept here as a sort of reserve, and is still here until we can see the position a little more clearly.

Q. You said there was an increase of one-third of a cent on storage butter which was allowed; that is butter that was held over; the price increased gradually one-third?—A. Three-eighths of a cent.

Q. There was quite a lot of discussion among farmers last fall to the effect that it would pay a man to store butter; that the storage charges were low and they could hold the butter and make a substantial profit on the $\frac{3}{8}$ ths of a cent. Was that done? I heard a good deal of criticism. I heard that men were storing butter to make a nice profit?—A. At $\frac{3}{8}$ ths?

Q. Yes. The storage charge was only about a quarter of a cent. —A. Oh, no, storage charges exceed a quarter of a cent, and when we fixed the minimum price in 1941 the minimum advanced one-half cent per pound per month. That was rather profitable, but this year it was cut down to $\frac{3}{8}$ ths of a cent, so there would be no undue inducement for holders of butter to hold their supplies off the market. As a matter of fact, if a man had butter in storage and if even a small proportion of it dropped in grade during storage—from first grade to second grade, it would wipe out any profit he would have in storing butter at an advance of $\frac{3}{8}$ ths of a cent per month in price.

Q. I am not saying this was done, but I have heard it.—A. What has actually happened is that nobody has got butter at the floor price. People are buying butter today at 33 cents when the minimum price is $32\frac{3}{8}$ ths. They are tied by the ceiling price until next April, a price of 35 cents.

By Mr. Wright:

Q. Did I understand you to say that the Ontario board had the authority to set minimum prices for dairy products in Ontario?—A. For milk for concentrating purposes.

Q. And your board set minimum prices?—A. No, the Ontario Milk Board with concurrence of the Wartime Prices and Trade Board.

Q. The Wartime Prices and Trade Board. How do they get together on that?—A. Of course, the Wartime Prices and Trade Board maximum price applies to the finished product—butter.

Q. But if the Ontario board sets a minimum price that will not allow the manufacturer to produce the finished product what is the position? If you have two authorities and both have authority to set prices on the same product you are likely to get into trouble?—A. The orders of provincial boards are subject to the review and approval of the Wartime Prices and Trade Board.

By the Chairman:

Q. Is not the position of these provincial milk boards one of carrying out the policy or supervising the policy of the Wartime Prices and Trade Board? Is not that where they come into the picture?—A. You might say so, but they long antedated—

Q. Yes, I know; but the fact that they were in existence and exercised a degree of regulatory control made them an organization already in existence which the Wartime Prices and Trade Board could use.—A. I suppose that is quite all right to state it that way. If a provincial board considers that certain action is desirable which would be implemented by an order in ordinary peacetime that order must receive the approval of the Wartime Prices and Trade Board before it can be issued; but I am answering questions outside of my work altogether.

By Mr. Wright:

Q. Perhaps the questions I was going to ask were along the same line. I was going to ask with regard to the difference in the price in the different whole milk areas of Canada—the difference in the price to the producer; what is the variation; have you that information?—A. I do not think I have that information with me.

Q. Could you give us the variations? What is the total variation as between the different areas?—A. I would not attempt to give that, speaking from memory.

The CHAIRMAN: What you have reference to is what is the price of milk in the Toronto area or the Winnipeg area or the Regina area or the Calgary area?

Mr. WRIGHT: Yes, and I was going to proceed to ask further questions.

The WITNESS: I could not give you that information.

By Mr. Wright:

Q. Do you know how that is arrived at? Do you know how that cost is arrived at? Is it the cost of the production of milk in the different areas or is it the demand for milk in the different areas—the fact that they are short in a particular area—that increases the price in order to get the amounts required? What is the factor that goes into the determining of that price?—A. I have not had anything to do with that. I would not attempt to answer that question.

The CHAIRMAN: As I recall the situation in Manitoba—

Mr. WRIGHT: Who would be the proper authority from whom to get that information?

The WITNESS: You might write the Wartime Prices and Trade Board, because while the question of advances in prices come under and are considered by the Agricultural Food Board and the Wartime Prices and Trade Board jointly, the Agricultural Food Board is of recent origin and such prices as have been established have been established either by provincial authorities prior to the Wartime Prices and Trade Board or since the Wartime Prices and Trade Board and established by the provincial authority with the concurrence of the Wartime Prices and Trade Board.

Mr. WRIGHT: I want to know from whom we can get that information.

The WITNESS: I suggest you might see Mr. Nadeau.

Mr. WRIGHT: I want to get some person before this committee who can give us that information.

The CHAIRMAN: It seems to me, if I remember correctly, in Manitoba the milk producers organization deals through this control board, or whatever they call it in the various provinces, and the price is arrived at there through negotiation.

Mr. CRUICKSHANK: This applies to the provinces of Manitoba and Ontario.

Mr. SENN: That is the way it is done in Ontario. The producers' associations meet the distributors and the milk board sits in and arbitrates on the price. There are generally two prices, winter and summer prices.

Mr. CRUICKSHANK: That does not apply to western Canada.

By Mr. Hatfield:

Q. I would like to ask if the price set by the Wartime Prices and Trade Board on cheese is for the whole of Canada?—A. It is, sir; it is just the same as the export price.

Q. What is the price?—A. Twenty cents f.o.b. factory shipping point. Ontario pays a subsidy of 2 cents a pound.

Q. Does any other provincial government pay a subsidy?—A. Not at the present time.

Q. Does Ontario not ship cheese into the province of New Brunswick?—A. Not substantially.

Q. Do you think it is fair to the farmers of New Brunswick to have a subsidy on cheese as much as that?—A. Of course, the producer in the maritime provinces has a chance of getting that added on to his price—if he can get them to do it, added to the price that he receives from the buyer, to the extent at any rate that it is received in Ontario.

Q. Did you say that he can get the same as Ontario?—A. Yes, the Ontario price is 20 cents and the provincial subsidy is 2 cents, making a total of 22 cents. And now, the Ontario shipper cannot legally sell at more than 20 cents, taking shipment to a point in New Brunswick, and the producer in New Brunswick can sell it at 22 cents f.o.b. factory shipping point, and in that way he can secure the additional 2 cents.

Q. What is that, again? You say he can get—you say the Ontario man cannot ship above 20 cents and that he can get 22 cents?—A. I might tell you that New Brunswick cheese sold as high as 28 cents per pound—and that was when it was 25 cents in Ontario—in 1940-41.

Q. What about 1942?—A. There was some cheese went down there, yes.

Q. Do you not think that there should be a uniform system governing all these regulations? Why do you not have uniform regulations, or a system that will operate on a uniform basis clear across Canada? What is the idea of this?

The CHAIRMAN: Probably if you can get some of your provincial governments to give up some of their jurisdiction you might be able to get a uniform basis.

Mr. HATFIELD: The Wartime Prices and Trade Board are making uniform prices and they seem to have jurisdiction over everyone; also, the Defence of Canada regulations.

By Mr. Golding:

Q. Is the dominion government paying any subsidy on higher grades of cheese?—A. Yes, one cent per pound on cheese grading 93; 2 cents on cheese grading 94 and over.

Mr. DOUGLAS: In other words, those who are making 94 per cent cheese get 24 cents instead of 20 cents.

Mr. LECLERC: No, no; 22 cents.

The WITNESS: In Ontario.

Mr. LECLERC: Quebec is not paying any 2 cents.

The WITNESS: Not since the 1st of December 1942.

Mr. LECLERC: And I understand that they do not intend to pay it.

By Mr. Evans:

Q. When we were talking about cheese before I asked you what percentage was No. 1 cheese on which the high premium was paid; could you give us that now?—A. In 1942, 66.03 per cent of the cheese graded in all Canada received the premium.

By The Chairman:

Q. Was that No. 1 or No. 2?

Mr. LECLERC: Is that 93 or 94?

The WITNESS: That is both, the two combined; 21.17 per cent of all graded secured 94 points and got 2 cents per pound; 24.86 per cent secured 93 points and got 1 cent per pound.

By Mr. Evans:

Q. Will you have that broken down by provinces?—We did not have any cheese under 92, did we?—A. Yes, there was some under 92.

By Mr. Leclerc:

Q. Was that Ontario?—A. 6·32 per cent of the cheese graded in Canada was below first grade; 93·68 per cent was first grade.

By Mr. Hatfield:

Q. What about the Quebec farmer who takes his milk into Ontario??

The WITNESS: Pardon me, somebody asked about Saskatchewan. Saskatchewan does not produce much cheese. Saskatchewan had 3·72 per cent, grading 94 points, and 37·23 per cent grading 93 points; a total of 36·95 per cent was in the premium class in Saskatchewan. What was your question?

By Mr. Hatfield:

Q. What is the situation with respect to the Quebec farmer living on the border of Ontario and selling his milk to Ontario factories; does he get the 22 cents or the 25 cents?—A. Well, when that policy was in effect in both provinces the Quebec government paid it on the milk going into Ontario from Quebec, and the Ontario government paid it on milk going from Ontario into Quebec; that was the arrangement. Now Quebec has ceased paying it and the Quebec milk going into the Ontario factory no longer receives it, but the Ontario milk going into the Quebec factory gets the subsidy.

Q. Do you think that is a good dominion system to have?—A. It is not a dominion system, it is provincial.

Mr. DOUGLAS: The Ontario farmers could ship their milk to Montreal and get a good price for it.

Mr. CRUICKSHANK: I want to carry that point I was just dealing with a little further; does the dominion government pay out that 12½ cents per box differential between Montreal and British Columbia or the difference in the cost of production?

The CHAIRMAN: You mean the difference in the cost to the processor.

Mr. CRUICKSHANK: That is what I mean; that is a container and that is a part of the cost of production, I appreciate that; who gets that, the distributor or the farmer?

Mr. SOPER: They have to pay that much more for the boxes.

Mr. CRUICKSHANK: Maybe the witness would like to have some of these gentlemen do this answering for him. What I am trying to get there is this difference in the cost of the container as between the east and British Columbia; I understand that goes to the processor.

Mr. SOPER: That is right.

Mr. CRUICKSHANK: Therefore I presume that the cost of production is taken into account.

The WITNESS: What happened, as I said before, was that these eastern men used a fibre box in 1940-41. The next year the Ministry of Food said we want wooden boxes and they sent us the specifications. British Columbia had been using wooden boxes right along. The eastern processor said, it is going to cost me 10 cents or 12 cents or more to pack my product in wooden boxes for the 1941-42 period as compared with the 1940-41 period; and that was the basis of this differential of 12½ cents.

Mr. CRUICKSHANK: I have no quarrel with that, I just wanted to have that clear in my mind, because it is apparent then—which I think is fair—that it costs more for the boxes in Montreal than it does in British Columbia. What I am getting at is—

By Mr. Senn:

Q. Did they get their boxes from British Columbia?—A. No, they do not come from British Columbia, they are eastern boxes.

By Mr. Cruickshank:

Q. Well then, I want to follow up the point that Mr. Fair brought up; it is admitted that the distributor could get a fair increase in his boxes because it cost him more to produce that box in Montreal, which I assume is only fair, and I think it follows that the man who produced milk should also have been taken into consideration, I mean his cost of production. That is what I am arriving at. It is actually the same thing, as I see it. If a man is entitled to extra cost for the production of boxes—which I do not deny—he is also entitled to extra cost with respect to the production of his milk. And now, as I understand it, in answer to Mr. Senn a short time ago, the Board have authority to enforce the amount that is to be paid to the processors—if I understood the answer correctly—your Board—

Mr. SENN: To set a minimum price.

Mr. CRUICKSHANK: Yes, to set a minimum price; although you have no way of enforcing—in British Columbia they are enforcing it, they have an arrangement in effect under which we can only get 65 cents when the people who distribute the milk are prepared to pay us 72 cents per pound of butter fat at no increase to the consumer, the selling price remaining exactly the same as it is to the consumer for the product, and the distributors are prepared to and asked for permission to pay us as well, wholesale, instead of getting 65 cents per pound butter fat we would receive 72 cents for the butter fat; but under order 238 we are not allowed to receive the money and they are not allowed to pay it. That is the maximum price they can pay. And now, Mr. Chairman, I do not know what productions boards are for in the province of British Columbia—which your Board has admitted is a deficient area for milk—from the city of Vancouver we have to ship milk to Victoria and Nanaimo to feed the armed forces. They are allowed a subsidy in Victoria for fluid milk and we are now allowed to get that subsidy until we ship the milk in to these people who send it to Victoria and they get the subsidy. We get no subsidy except what we ship to the troops around Nanaimo. Well, we ship to Victoria for the same purpose and we should get the subsidy. We have applied to the board to have that adjusted, but so far we have had no adjustment. I cannot understand these things, and I want to follow it up. I think there is no time like the present. If we cannot find out from the food production board, who is the correct man to give us a complete statement on that matter. I do not know who he is or what steps we can take. I want to know who I am going to ask about this differential in price in British Columbia. By the evidence just given it is admitted that the cost of production is taken in, and correctly so, in the evaporated price; and it does not take into consideration anything else.

Mr. SOPER: No, no.

Mr. CRUICKSHANK: All right, if you want to answer for Mr. Singleton.

Mr. SOPER: That makes up for the difference in the cost of the package.

Mr. MCNEVIN: He has answered it three or four times now.

Mr. CRUICKSHANK: I am asking Mr. Singleton if he can produce—I do not expect it to be produced now—the settling list in each area in Canada, both wholesale and retail. I do not expect it to be produced today, but I would like these figures produced so I can further question on them; is that possible?

The WITNESS: The settling list on what?

Mr. CRUICKSHANK: I want to know, for instance, the settling rate in each of the provinces and in each area. As I understand it, there is a settling rate for the main towns, like Toronto, London, Ottawa, and so on.

The WITNESS: That is for fluid milk trade.

Mr. CRUICKSHANK: Yes; and I also want to know which is the settling rate as applied to wholesale and as applied to retail in each respective area. That is available, is it not; or, can be made available?

The WITNESS: I will try to get it. I could not say definitely that it is all available. I do not know; that is, I will look it up for you.

Mr. CRUICKSHANK: That is just the point I want to get, if it is the War-time Prices and Trade Board. If your branch cannot get it, that is just what I want to tie down; then I for one want the Wartime Prices and Trade Board official here who can give us it. Possibly it is not your branch. I understand there has been a new set-up and Mr. Nadeau is in charge of one branch and I believe there is a new man in charge of fluid milk.

The WITNESS: It is for the Wartime Prices and Trade Board to answer.

Mr. CRUICKSHANK: Then those are the people who will have to answer.

By Mr. Leger:

Q. I would like to know from Mr. Singleton if he has anything to do with regard to the sales of butter fat?—A. Well, as I said before, I am a member ex-officio of the agricultural food board.

Q. Well, I have already asked a question in that regard.—A. Yes sir.

Q. Have you taken into consideration the bonusing of dairy butter?—A. As far as I know it has never been before the board. The bonusing of fat entering in the manufacture of creamery butter was initiated by the Wartime Prices and Trade Board last July. It was transferred to the agricultural food board as from the 1st of May. Dr. Barton is the man to whom that question should have been directed.

Q. Well, it was directed to him but he said it should be directed to your board, I believe. I asked him that question.—A. Well, as far as I know, it has never been before the Agricultural Food Board.

Q. I suppose you are aware that in a good many places, especially in the winter time the butter fat or cream cannot be delivered to the creameries on account of the roads being blocked by snow?—A. I have been told that.

Q. And therefore, the people in these back districts are forced to make dairy butter?—A. Yes.

Q. I think that a system could be established where they would bonus them the same as they are bonusing the creamery people for the butter fat. I think that a coupon system could be established just the same as it has been established for subsidizing milkmen. As you know, in a good many districts, the farmer is a milkman and he delivers his milk right to the consumer and he is being paid at the present time 2 cents a quart premium. Why do you not do the same thing to the dairy butter maker; and if you don't want to do it the year round, why not do it in the winter time when it is impossible for the farmer to deliver his cream to the creamery. I really think there should be no discrimination with that class of farmer simply because it is impossible for him to deliver his cream during a certain period of the year. As I understand it, you want to unify the butter market to more or less one class of butter throughout Canada; but I think under circumstances such as this that a subsidy should be given to the farmer in the winter time.

By Mr. Wright:

Q. You are a member you say of the Food Products Board?—A. No, the Dairy Products Board. I have nothing to do with production.

Q. Who is in charge of food production?—A. Well, there is no food production board, as far as I know, Mr. Wright.

Q. I understood that there was an agricultural food board?—A. Yes.

Q. Are you a member of that board, the Agricultural Food Board?—A. I am when dairy matters are under review, yes.

Q. What would you say was the major factor in the producing of more agricultural supplies; you need increases in certain agricultural products; what are the main factors which would enter into obtaining that increase; would you say that price was one important factor?—A. I would say it is a factor, yes; although, as I said before, I am not a production man, my work is marketing.

The CHAIRMAN: Perhaps we should go back to Mr. Leger's question for a moment.

By Mr. Wright:

Q. You are a member of the agricultural board, as a member of that naturally you have to deal with the question of production as well as marketing.—A. Well, possibly; so far it has been mostly marketing.

Q. What have we got a board for, if they are not a board to increase production; if you are a member of that board you must have responsibility with regard to obtaining more agricultural products in Canada?—A. Of course, subsidies have been established to that end in some cases.

Q. Then you would say that prices are a factor?—A. Oh, absolutely.

Q. Would you say it was the important factor?—A. Yes but I can visualize circumstances under which it might not be the most important factor.

Q. Your production board have no control over prices; I mean, if you want more production in certain lines and you come to the conclusion that an increase in price on that particular product is necessary in order to aid production, to whom do you have to go to obtain that increase in price?—A. Of course, if there were an increase in price, and the product was for domestic consumption, presumably it would go to the Wartime Prices and Trade Board; because if it is a shortage that would probably be under a ceiling now. If it were for export it would be I presume a matter for arrangement between the governments of the two countries, and that is where the policy of subsidies enters in; to get extra revenue to the producers subsidies are paid rather than an increase in price.

The CHAIRMAN: May we just finish up Mr. Leger's question for a moment. Mr. Leger was asking a question or two and perhaps it should be further dealt with.

Q. Well then, I understood you to say that the Wartime Prices and Trade Board paid a subsidy on creamery butter; did they consult your department about that?—A. Yes, they did.

Q. They never consulted your department in regard to the dairy butter end of it?—A. Oh, there have been discussions on it. I have had discussions over the telephone, as far as my memory goes. Whether there was ever a formal reference to our department, I do not know.

By Mr. Hatfield:

Q. Is the transport controller in some cases the one who fixes the number of cans and sets the price and weight for fluid milk?—A. I believe there is some restriction on frequency of collection.

Mr. HATFIELD: Owing to the shortage of cans there is some difficulty, the farmer cannot hold his cream three or four days. I thought possibly that would come under your board.

By Mr. Ross (Middlesex):

Q. I would like to ask a question with reference to the export of cheese.

The CHAIRMAN: Excuse me, Mr. Ross; Mr. Leger has asked this question and I think perhaps we should follow it up further. I do not know what might come out of the discussion. What is the production, for example, now, of dairy butter in Canada?

The WITNESS: No one knows, Mr. Chairman.

The CHAIRMAN: I mean, what comes under the market, do you know?

The WITNESS: Well, what comes into the open market is a negligible quantity at any time.

Mr. LEGER: I suppose most of that is sold locally.

The WITNESS: Most of it is consumed on the farms on which it is made, or among the immediate neighbours.

Mr. LEGER: Yes.

Mr. HATFIELD: In our province there is more dairy butter produced than there is creamery butter.

The WITNESS: The quantity in storage as of the 1st of June, 1943, in all of Canada was 61,258 pounds.

By Mr. McNevin:

Q. What percentage would that be of the total in storage?—A. The creamery butter in storage as of June 1st was 18,591,000 pounds.

By Mr. Hatfield:

Q. In storage?—A. Yes.

Mr. FAIR: I wonder if we could get the quantity of dairy butter placed on shelves in the stores for sale. I do not think the quantity in storage means anything, it is not a fair quantity for us to base an opinion on. We should have the quantity that is sold to the stores throughout the country as well, then we could determine the base on which this bonus could be paid.

The CHAIRMAN: I doubt very much if that would give us anything of a very definite character because in many parts of the country a lot of the dairy butter is delivered from the producer to the actual consumer and never goes into the stores at all.

Mr. LEGER: Yes, but some of it goes to the stores.

By Mr. Golding:

Q. I wonder if it would be possible for you to put the detail on the record stating the production of cheese, butter and stocks of evaporated milk for the various provinces so that we would have a picture of what is produced in each of the provinces?—A. Yes, sir, we can do that. I do not know if this figure is up to date for 1942 yet, but if you get this report—the Dairying Statistics of Canada for 1941, issued by the Dominion Bureau of Statistics,—that would give you the information you want.

Mr. FAIR: There is one more question I want to ask.

Mr. CHAIRMAN: I was just going to ask that we let Mr. Leger follow his question a little further.

Mr. FAIR: Mine is along the same line I think.

The CHAIRMAN: Very well then.

Mr. FAIR: What officials are consulted about fixing the subsidies to be paid on the different agricultural products?

Some Hon. MEMBERS: Hear, hear.

The WITNESS: Well, it would be the Agricultural Food Board, sir.

Mr. FAIR: Does your board take that into consideration; are you a member of that board?

The WITNESS: I am a member of the Agricultural Food Board when dairy products are being considered, ex-officio. Mr. Pearsall, Manager of the Meat Board, sits in as a member ex-officio when meat products are under consideration.

Mr. LEGER: And Dr. Barton is the chairman of that board?

The WITNESS: Dr. Barton is the chairman of that board, yes.

Mr. LEGER: To get around to my question; will the board seriously consider the bonusing of dairy butter?

The WITNESS: Well, you understand sir that as an ex-officio member of the board I am not in any position to give any undertaking for the board

Mr. LEGER: No; I say seriously consider.

The WITNESS: That is what I say.

By Mr. Leger:

Q. Could you bring it up? Who would I bring this matter up with?—
A. I would suggest that you take it up with the Chairman of the board.

Q. With Dr. Barton?—A. Yes.

Mr. LEGER: Dr. Barton suggested that I should take it up with the Dairy Products Board.

The CHAIRMAN: I think what Mr. Leger was dealing with was really the direct mechanics of a system whereby a bonus might be paid to the producers of dairy butter; and if I recall correctly he suggested the idea of making payments through the use of coupons. It was largely on the line of the mechanics of paying a bonus of the type that is being paid to the producers of creamery butter. You have an organization already set up that deals with the trade, and it is appreciated that that is not the case with dairy butter.

Mr. LEGER: It is with milk, could they not use the same system?

The CHAIRMAN: And the method of paying the bonus is much more difficult than it would be for creamery butter. I think that is a point Dr. Barton suggested might be referred to you; and I think Mr. Leger wants to know if any consideration has been given to any means whereby a system might be worked out where such a bonus could be paid.

Mr. FAIR: I believe that Mr. Leger has brought up a point of outstanding interest to a number of small farmers, and I would suggest that a recommendation from this committee to the house be sent in along that line. It would be very valuable to a number of small farmers.

The CHAIRMAN: Have you anything to say on the mechanics that might be utilized for dealing with the matter of that product?

Mr. LEGER: The same as for milk.

The WITNESS: I have not followed that through. No, Mr. Chairman, I do not know what steps the vendors of milk have taken to establish their claims. I understand he does get his pay from the local bank.

Mr. LEGER: When he presents his coupons he is paid. In my district the system is that the milkman sells a book of coupons to the consumer and any time the consumer wants a quart of milk or puts the appropriate number of coupons in the bottle and the milk is left for him. The milkman then takes these coupons to the bank and after being checked up—I believe he makes a sworn declaration—he is paid. With respect to butter I think we have a better

principle available; every time the farmer sold a pound of butter he would get a ration coupon and he could present that ration coupon to the bank and there would be no fooling at all, there would be no chance of discriminating in connection with anyone as I see it.

Mr. HATFIELD: I see by this year book that I have here that there were 3,934,000 pounds of creamery butter produced in New Brunswick and 5,322,000 pounds of dairy butter; in all of Canada creamery butter was 286,000,000 and dairy butter 94,000,000—that is for 1941. With respect to my own province of New Brunswick, also Nova Scotia, there is a great deal more dairy butter manufactured than there is creamery butter, especially in the summer.

The CHAIRMAN: Have you a question you wanted to ask, Mr. Ross?

Mr. Ross (*Middlesex*): In connection with the British cheese contracts.

The CHAIRMAN: All right.

By Mr. Ross (Middlesex):

Q. When the British Ministry of Food entered into the cheese contract under the British government, did the British Ministry of Food set the price for the cheese; or did they advance the fund in a certain amount and then bargaining ensued?—A. It was all a matter of negotiation between the representatives of the two governments.

Q. You say it was a matter of negotiation.—A. Yes.

Q. The price was finally decided on by the British government and they said it is the best we can give you?—A. Well, I would say in the main that is correct.

The CHAIRMAN: It is a negotiated price.

By Mr. Ross:

Q. I think that is fair enough too. Then, the next question: what did they base their offer on; that is the price at which you export cheese—was it from the price of cheese in the United States, for instance? They cannot very well base it on former imports from Denmark and those countries now under enemy control. How did they base this particular price?—A. Well, Great Britain never imported much cheese from Denmark. Practically all the cheese the United Kingdom imported in peacetime came from the empire; 88 per cent of it came from Canada, Australia, New Zealand and South Africa; with Canada and New Zealand being the principal suppliers. And now, what cheese they received last year from the United States was under lend-lease; but the quantities they may expect from the United States this year are much less. That is one of the reasons why our quantity has been advanced from 125,000,000 pounds in last year's contract to 150,000,000 this year.

Q. What I am trying to get at is, what do they base that price on?—A. I believe that Mr. Gardiner made a statement on that in the house.

Q. I cannot hear you.—A. I think the minister, Mr. Gardiner, made a statement in the house with respect to last year's contract with the Ministry with regard to the matter of price.

Q. Oh, yes, I remember his saying that.—A. It was fairly hard to get the quantity they desired and that is why that price was necessary; they accepted that price but on the condition that the Minister would make a public statement announcing that the Ministry of Food, that is the British Government, should not be held responsible if there were over stimulation throughout Canada as a result of that high price.

Q. Then the Ministry of Food thought the price was high?—A. Yes.

Q. Well, then, they must base what they think a fair price on some things.—A. Well, there are a lot of factors entering into it. Of course, last year cheese was available from the United States.

Q. That is just what I am trying to get at.—A. Apart from that the principal sources of supply are Canada, New Zealand and Australia. Canadian cheese commanded a much higher price than that of Australia or New Zealand. One reason for this is that a ship would make say three round trips between the United Kingdom and Montreal or Halifax during the time required to make on round trip to Australia. The location of the product is a factor in determining the price.

Q. I think the whole arrangement is fair enough.

The committee adjourned to meet Friday, June 25, at 11 o'clock a.m.

BINDING SECT. OCT 14 1980

